AngloAmerican

KUMBA IRON ORE

KUMBA IRON ORE LIMITED

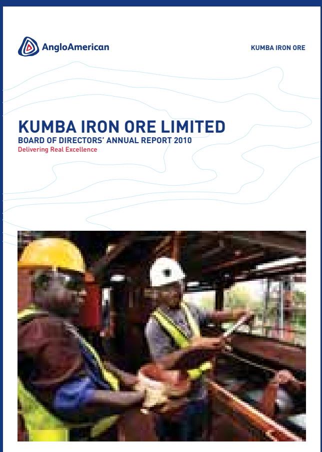
ANNUAL FINANCIAL STATEMENTS 2010

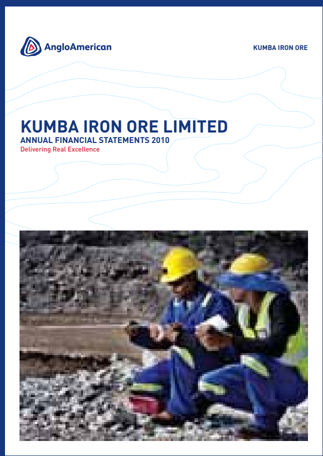
Delivering Real Excellence

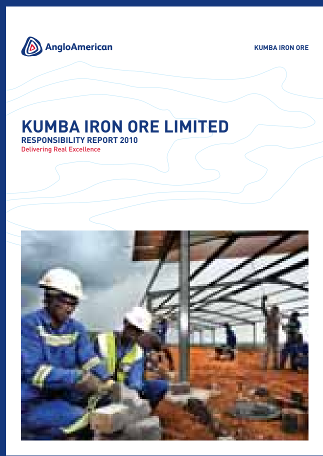
Real Mining. Real People. Real Difference.

ABOUT THIS REPORT

This report includes an in-depth financial review, the Kumba Iron Ore Limited (Kumba) group and company annual financial statements and important shareholder information. We have produced the Board of Directors' Annual Report for 2010, which was prepared in line with the recommendations of the King Code of Governance Principles for South Africa 2009 (King III) and Responsibility Report for 2010 separately. The governance report is included in the Board of Directors' Annual Report for 2010. By reading all three documents, the reader will gain a comprehensive understanding of Kumba's results across all aspects of the business.





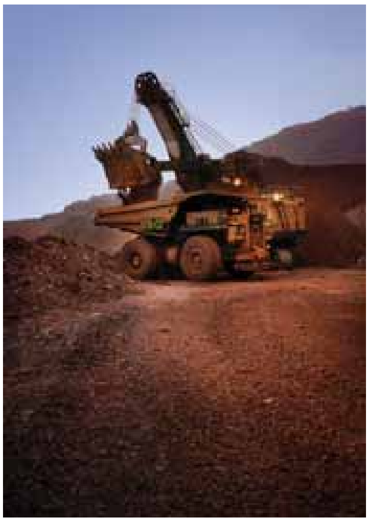


HEADLINE EARNINGS

up **106%** to R14.3bn

HEADLINE EARNINGS PER SHARE (Rand per share)

2010	44.67
2009	21.87
2008	23.02
2007	10.00



ALLEN MORGAN

MESSAGE FROM THE INTERIM CHAIRMAN

2010 was a remarkable year for Kumba and I believe the integrated reporting model we have adopted for this report has allowed us to provide Kumba's stakeholders with a balanced and transparent view of our performance, and also illustrates that Kumba has successfully integrated the sustainability components into its business strategy.

CHRIS GRIFFITH

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Kumba produced a phenomenal financial and operational performance in 2010. Kumba has achieved its vision of being a leading value adding iron ore supplier to the global steel industry and its mission of being 'people making a difference in a company making a difference'.

TOTAL CASH DIVIDEND

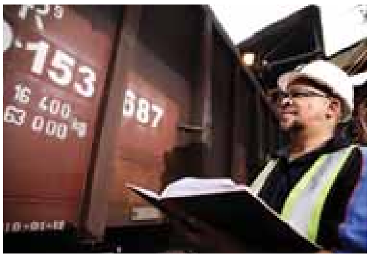
R34.50 per share

KUMBA VALUE ADD

- Kumba has extensive expertise in mining and beneficiates its iron ore resources into saleable iron ore products for domestic and international steel producers
- Beneficiation processes include comminution, washing, concentration and screening processes
- Kumba is known globally for its expertise in the mineral beneficiation of iron ore and the value its niche products add during the production of steel
- Kumba's research and development programmes focus on reducing energy requirements, maximising mineral resource utilisation, beneficiation technologies for use with lower grade iron ore and the development of new niche products

SAFETY (LTIFR)

down **71%** to 0.12



DIVIDEND PER SHARE (Rand per share)

2010	34.50
2009	14.60
2008	21.00
2007	7.50

KEY NOTES

Read more

Visit website

DR Board of Directors' Annual Report 2010

FS Annual Financial Statements 2010

RR Responsibility Report 2010

VINCENT UREN

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

I am proud to introduce you to the Annual Financial Statements for 2010. Kumba delivered another excellent financial performance for 2010 and continued to deliver substantial returns to its shareholders, with the share price outperforming the JSE FTSE/Mining index by nearly 30% and the declaration of a total cash dividend of R34.50 per share for 2010.

ANNUAL FINANCIAL STATEMENTS 2010

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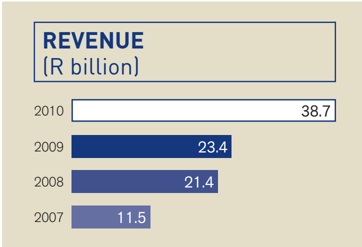
REVENUE

up **65%** to R38.7bn



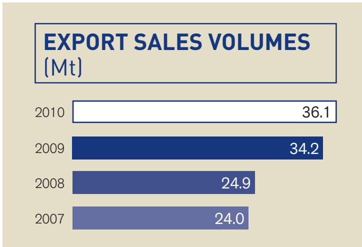
WE ARE LIVING KUMBA'S MISSION:

2010 ACCOLADES

- Top Performing Mining Company of the Year in the Deloitte Best Company to Work For survey and ranked sixth overall
- Runner up for the second year in the Sunday Times, Business Times Top 100 companies
- A Best Performer in the 2010 JSE Social Responsibility Index
- Ranked fifth in the Ernst & Young Excellence in Sustainability Reporting Awards in 2010

EXPORT SALES VOLUMES

up **6%** to 36.1Mt

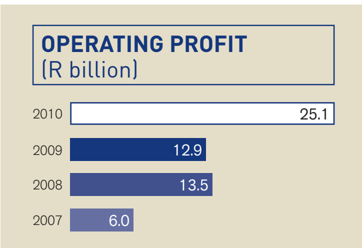


SISHEN MINE UNIT CASH COST

up **15%** to R113.69/tonne

SISHEN MINE PRODUCTION

up **5%** to 41.3Mt



VISION

Kumba is a leading value adding iron ore supplier to the global steel industry.

NON-FINANCIAL HIGHLIGHTS

- Kolomela Mine development remains on track and within budget
- SIOC Community Development Trust fully redeemed its funding and now owns an unencumbered 3% of Sishen Iron Ore Company (Pty) Limited (SIOC)
- All operations received water use licences

MISSION

People making a difference in a company making a difference.

FINANCIAL REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2010

> Kumba delivered another excellent set of results for 2010, driven by strong market conditions as demand for iron ore was fuelled by world crude steel production exceeding pre-2008 levels.

VINCENT UREN
Chief Financial Officer

With substantially higher iron ore export prices and a growth in export sales volumes revenue increased by 65% to R38.7 billion and these factors, together with focused cost containment, resulted in an all-time record operating profit of R25.1 billion, up 95% year on year. Our headline earnings per share were R44.67; more than double 2009's earnings.

We continue to deliver increasing value to our listed shareholders and also to Sishen Iron Ore Company (Pty) Limited's (SIOC) black economic empowerment shareholders by returning substantial cash dividends.

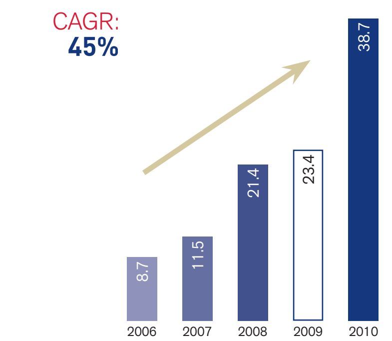
A final dividend of R21.00 per share has been declared, bringing the total 2010 dividend to R34.50 per share, on earnings of R44.66 per share.

OPERATIONAL PERFORMANCE

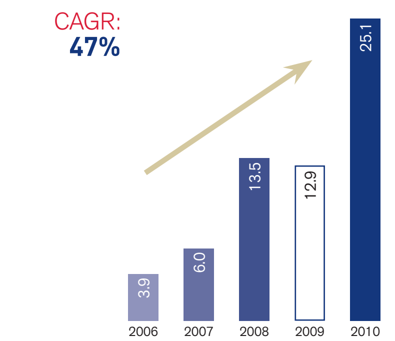
On a five-year review, the key operating result indicators grew as follows:

Revenue has grown at a compound annual growth rate (CAGR) of 45% since 2006, while **operating profit** has grown at 47%. **Sishen Mine's unit cash cost** has increased at a CAGR of 13% as cost increase pressure were offset by productivity gains. With tight cost control **attributable earnings** increased at a CAGR of 43%, which enabled **dividend per share** to increase at a CAGR of 156%. The results of 2006 are based on the unaudited pro-forma financial information for the twelve months ended 31 December 2006, whereas the dividend for 2006 was declared on the attributable earnings of R0.84 per share for the two months ended 31 December 2006.

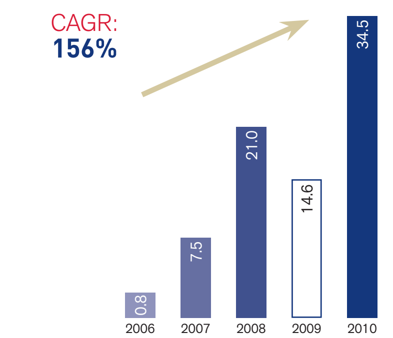
2006 – 2010 | **REVENUE** (Rbn)



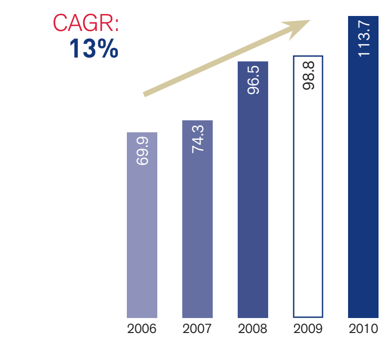
2006 – 2010 | **OPERATING PROFIT** (Rbn)



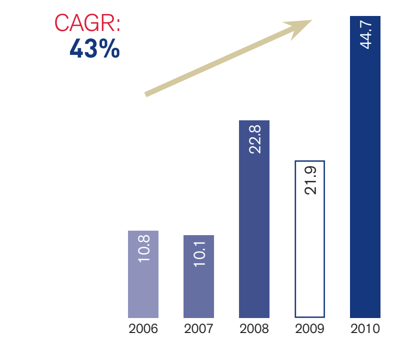
2006 – 2010 | **DIVIDEND PER SHARE** (Rand)



2006 – 2010 | **SISHEN MINE UNIT CASH COST** (R/tonne)



2006 – 2010 | **ATTRIBUTABLE EARNINGS PER SHARE** (Rand)



Summary of key financial results for the year ended 31 December

	2010 Rm	2009 Rm	% change	2008 Rm
Revenue	**38 704**	23 408	65	21 360
Operating expenses	**(13 573)**	(10 528)	29	(7 847)
Operating expenses (excl. mining royalty)	**(12 163)**	(10 528)	16	(7 847)
Mining royalty	**(1 410)**	–	–	–
Operating profit	**25 131**	12 880	95	13 513
Operating margin (%)	**65**	55	–	63
Headline earnings	**14 328**	6 972	106	7 276
Cash from operations	**25 555**	12 745	101	14 519
Capital expenditure	**4 723**	3 996	18	2 563

Revenue

Kumba's revenue of R38.7 billion is made up of revenue from mining operations of R35.8 billion, which was up by 79% year-on-year, and R2.9 billion from shipping operations.

The increase in mining revenue was driven by a weighted average increase of 92% in export iron ore prices compared to 2009, the sale of 33% of exports at index prices and the move to the negotiation of prices on a quarterly basis.

The stronger iron ore prices achieved increased revenue generated by R19.4 billion.

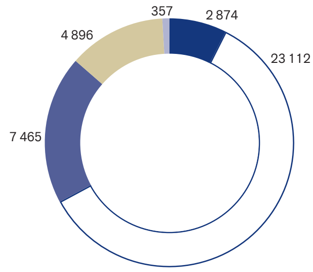
In addition, export sales volumes increased by 6% or 1.9Mt on which these higher prices were realised – this extra volume increased revenue by R1.3 billion.

The average Rand/US$ exchange rate of R7.30 was 13% stronger in 2010 than the R8.39 achieved during 2009 and resulted in a decline in revenue of R4.9 billion.

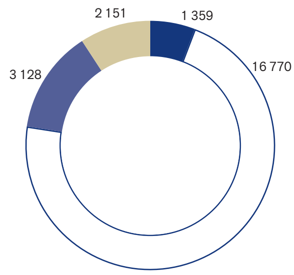
Revenue from shipping operations of R2.9 billion was R513 million down on the R3.4 billion earned during 2009. Total tonnes shipped by Kumba on behalf of customers decreased by 2.8Mt from 21.5Mt in 2009 to 18.7Mt for 2010, as demand recovered from customers in Europe, Japan and Korea reducing the shipping opportunity to China. Freight rates also started to decline during the fourth quarter of the year on the back of increased vessel availability.

A geographical analysis of revenue earned based on the country of destination is presented to the right.

2010 | **REVENUE – GEOGRAPHICAL ANALYSIS** (Rm)



2009 | **REVENUE – GEOGRAPHICAL ANALYSIS** (Rm)



South Africa
China
Rest of Asia
Europe
Other

HIGHLIGHTS

R35.8 billion ↑79%

REVENUE FROM MINING OPERATIONS

R2.9 billion ↓15%

REVENUE FROM SHIPPING OPERATIONS

R9.6 billion ↑23%

MINING OPERATING EXPENSES

65% ↑10%

OPERATING PROFIT MARGIN

R25.6 billion ↑101%

CASH FROM OPERATIONS

R1.4 billion

MINING ROYALTY PAID

1.3 times

DIVIDEND COVER

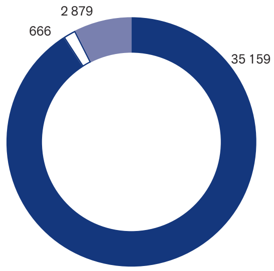
R425

CLOSING SHARE PRICE

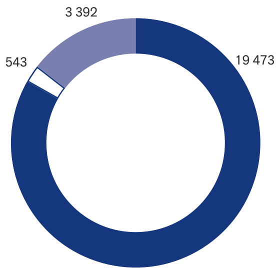
READ MORE

Balance sheet	page 42
Income statement	page 43
Statement of comprehensive income	page 43
Statement of changes in equity	page 44
Cash flow statement	page 45

2010 **REVENUE – SEGMENTAL ANALYSIS** (Rm)

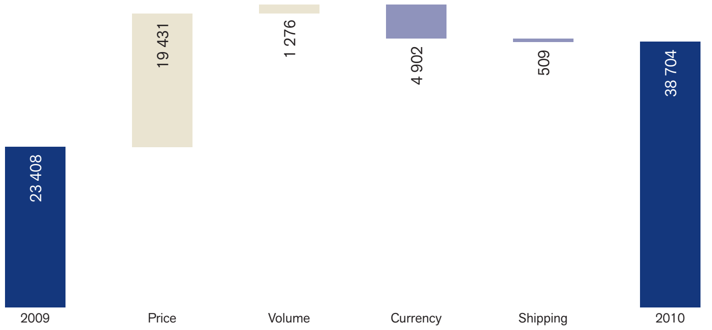


2009 **REVENUE – SEGMENTAL ANALYSIS** (Rm)



- Sishen Mine
- Thabazimbi Mine
- Shipping operations

2009 – 2010 **ANALYSIS OF THE INCREASE IN REVENUE** (Rm)



Revenue generated from Sishen Mine increased significantly by 80%. Thabazimbi Mine's revenue was up 23% and revenue from shipping operations decreased by 15%, as compared to 2009.

60% of revenue was earned from sales to customers in China, 19% from customers based in the rest of Asia and 13% from European customers. The remaining 8% came from South Africa (7%) and 1% from South America and the Middle East. An analysis of the increase in revenue is provided above.

Operating expenditure

Total mining operating expenses increased by 23% year-on-year from R7.8 billion to R9.6 billion. The mining royalty expense, which took effect from 1 March 2010, resulted in a charge of R1.4 billion.

The increase in mining operating expenses was mainly as a result of:

- The substantial increase in waste mined at Sishen and Thabazimbi mines;
- A 3% increase in total volumes produced; and
- A 7% increase in total volumes railed which was compounded by an increase in logistics costs.

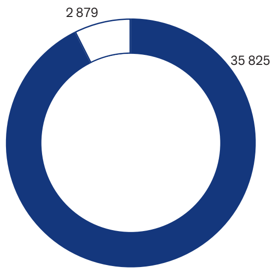
Inflationary pressures and significant increases in the cost of labour, diesel and electricity further contributed to the increase.

Operating expenses were also adversely affected by lower finance gains over 2009 from revaluing US Dollar denominated monetary assets and derivative instruments, which reduced operating profit by R43 million.

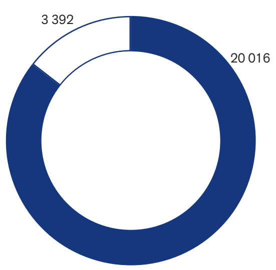
Selling and distribution costs increased by 7% from R2.8 billion to R3.0 billion, principally due to the logistics and export operations transporting increased volumes as well as from an increase in logistics costs resulting from a five-yearly Transnet rail and port tariff review. Transnet and Kumba have agreed to a simplified tariff review structure going forward based on an escalation basket of indices more directly related to the actual cost inputs required to deliver the transport services. The basket is now made up of the annual change in PPI, labour and electricity indices.

Selling and marketing expenses increased due to the increase in export iron ore prices. This increase was offset by a substantial decrease in demurrage, due to the reversal of the prior year accruals for demurrage as a result of the stranded vessel at Saldanha port during the fourth quarter of 2009.

2010 **REVENUE** (Rm)



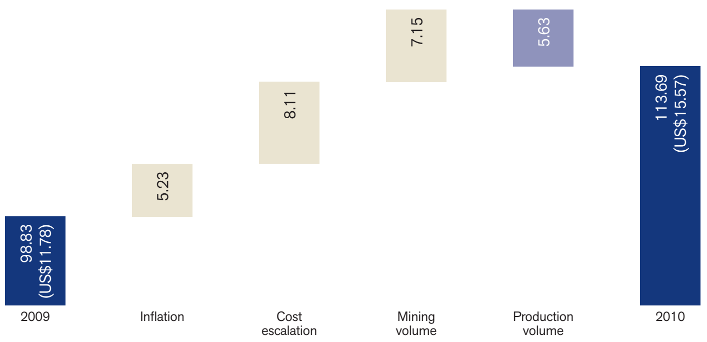
2009 **REVENUE** (Rm)



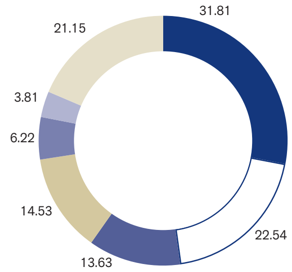
- Sale of iron ore
- Services rendered – shipping

	2010 Rm	2009 Rm	% change	2008 Rm
Production costs	**7 317**	5 960	23	5 053
Movement in inventories	**(459)**	(600)	(24)	(289)
Finished products	**(171)**	(440)	(61)	(190)
Work-in-progress	**(288)**	(160)	80	(99)
Finance gains	**(286)**	(329)	(13)	(1 043)
Other	**(2)**	(30)	(93)	20
Cost of goods sold	**6 570**	5 001	31	3 741
Selling and distribution costs	**3 041**	2 838	7	1 977
Sublease rent received	**(8)**	(8)	–	(6)
Impairment of property, plant and equipment	**–**	–	–	50
Mining operating expenses	**9 603**	7 831	23	5 762
Mining royalty	**1 410**	–	–	–
Cost of services rendered – shipping	**2 560**	2 697	5	2 085
Operating expenses	**13 573**	**10 528**	**29**	**7 847**

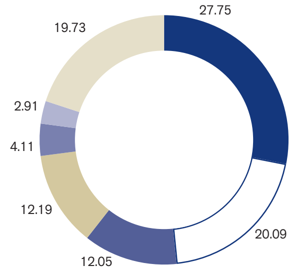
2009 – 2010 | **SISHEN MINE UNIT CASH COST** (R/tonne)



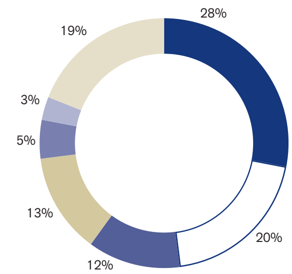
2010 | **SISHEN MINE UNIT CASH COST STRUCTURE** (R/tonne)



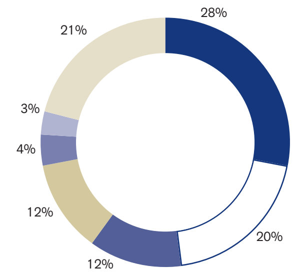
2009 | **SISHEN MINE UNIT CASH COST STRUCTURE** (R/tonne)



2010 | **SISHEN MINE UNIT CASH COST STRUCTURE** (%)



2009 | **SISHEN MINE UNIT CASH COST STRUCTURE** (%)



- Labour
- Outside services
- Maintenance
- Fuel
- Drilling and blasting
- Energy
- Other

Sishen Mine unit cash cost

Sishen Mine produced 41.3Mt of ore, 5% more than in 2009, as the jig plant ramped up to design capacity.

Despite substantial increases in mining activity, the mine has contained the increase in unit cash cost to 15% from the R98.83 per tonne achieved in 2009 to R113.69 per tonne in 2010.

Total production costs for Sishen Mine have increased by 24% from R4.6 billion to R5.6 billion principally due to a 19% increase in total tonnes mined from 128.3Mt in 2009 to 153.2Mt in 2010.

Inventory movements were impacted by 14.4Mt (2009: 16.0Mt) of B-grade work-in-process inventory which was utilised during the year, predominantly as a result of the ramp up of the jig plant at Sishen Mine. This was offset by the stockpiling of 14.0Mt (2009: 10.5Mt) of B-grade material as well as the increase in finished goods inventory from 6.7Mt to 7.0Mt.

Operating costs were under significant pressure in 2010 due to large increases in activities at the mine. Sishen Mine increased waste mining volumes by 20.0Mt or by 24% which increased costs by R320 million or R7.15 per product tonne. This was partially offset by the 5% increase in production over 2009.

Costs were contained through the mine's asset optimisation initiatives which are focused on improving the efficiency of mining operations on a sustainable basis and procurement savings.

The remaining increase in unit cash cost was driven by the following factors:

- Inflationary pressures principally on labour, contract mining and other costs, which together account for roughly 50% of the mine's cost, pushed up costs by R5.23/tonne;
- Wage settlements, effective from July 2010, of between 7.5% and 10% added about R3.20/tonne;
- The price of diesel increased by 11% from R6.71 per litre to R7.46 per litre, whilst usage increased from 86Mℓ in 2009 to 104Mℓ in 2010 in line with the increase in tonnes mined. These diesel cost increases added just over R1/tonne;
- A ~35% year-on-year increase in the electricity tariff that added about R1/tonne;
- Increases in drilling and blasting materials, principally steel and ammonia, which added a further R1.50/tonne; and
- Other cost increases (R2.93/tonne).

The Sishen Mine unit cash cost structure per major cost component – both on a Rand per tonne as well as a percentage basis – is illustrated on the right-hand side of the page. Compared to 2009, the relative contribution of the various costs to the mine's cost structure has not changed significantly. However, the cost per tonne for specific cost components did increase substantially, as discussed above, contributing to the 15% cash cost increase.

Operating profit (EBIT)

Operating profit increased by 95% from R12.9 billion to R25.1 billion and the group's operating profit margin improved from 55% in 2009 to 65% in 2010.

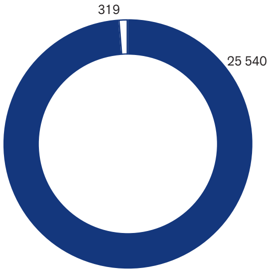
Excluding the low margin earned from providing a shipping service to customers, the group's mining operating margin increased from 61% in 2009 to 69% in 2010.

The operating profit was adversely affected by the implementation of the South African mining royalty effective from 1 March 2010 as well as the relative strengthening of the Rand against the US Dollar.

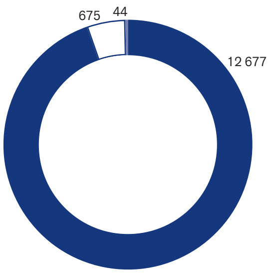
Operating profit increased principally as a result of:

- A weighted average increase of 92% in iron ore export prices, which added R18.2 billion to operating profit and a 6% growth in export sales volumes which contributed R1.0 billion; and
- A 21% increase in total domestic sales volumes and stronger domestic prices added R1.4 billion to operating profit.

2010 | **EBIT – SEGMENTAL ANALYSIS** (Rm)



2009 | **EBIT – SEGMENTAL ANALYSIS** (Rm)



- Sishen Mine
- Shipping operations
- Thabazimbi Mine*

** Contributed an operating loss of R44 million for 2010*

Other segments contributed net operating losses of R684 million (2010) and R516 million (2009)

These increases were offset by:

- The strengthening of the average exchange rate of the Rand to the US Dollar (R7.30/US$1.00 for 2010 compared with R8.39/US$1.00 in 2009), which reduced operating profit by R4.9 billion;
- A R1.8 billion or 23% increase in operating expenses (excluding shipping expenses and the mining royalty);
- The commencement of the mining royalty payable for the ten months from March to December 2010 at an effective rate of 4.9% of free-on-rail (FOR) iron ore revenue, which added R1.4 billion to operating expenditure; and
- A R373 million decrease in profit from shipping operations. In 2009, a R196 million provision in respect of the present value of the contractual costs associated with future voyages was reversed, thereby increasing 2009 profitability. Total tonnes shipped by Kumba on behalf of customers decreased by 2.8Mt from 21.5Mt in 2009 to 18.7Mt for 2010, as demand recovered from customers in Europe, Japan and Korea reducing the shipping opportunity to China.

The group's operating profit (EBIT) per business segment is analysed on the left. Other segments, which include the Corporate Office and Technical Services of the group, contributed net operating losses of R684 million and R516 million for 2010 and 2009, respectively. Net finance costs incurred on a centralised basis was R29 million for 2010 and R127 million for 2009.

Taxation

The effective tax rate for the group (before Secondary Tax on Companies (STC) of R884 million) was 23.6% for 2010 (2009: 24.4%). In future periods, it is expected that the effective tax rate (excluding STC) will remain stable at approximately 24%.

Capital expenditure

Kumba spent R4.7 billion on capital expenditure during 2010 (2009: R4.0 billion). Capital expenditure to develop the Kolomela Mine and other expansionary projects amounted to R3.1 billion in 2010 (2009: R2.8 billion).

On a cumulative basis we have now spent R5.3 billion of the approved R8.5 billion Kolomela project capital expenditure. Included in the total capital expenditure on Kolomela Mine is R793 million of pre-stripping cost which is capitalised for accounting purposes (R604 million for 2010). A further R1.2 billion was committed on the project at 31 December 2010.

Stay in business capital expenditure for the full year was R1.6 billion (2009: R1.2 billion), driven by the delivery of mining equipment during the second half to further increase the Sishen Mines' mining fleet capacity in anticipation of the increased mining volumes in 2011.

Net debt

At 31 December 2010, R3.2 billion of the total R8.6 billion long-term debt facilities was drawn down to finance Kumba's expansion. As a result of the strong cash flow generation of the group due to higher export iron ore prices and sales volumes, Kumba was able to repay a net amount of R1.7 billion drawn down against its R5.4 billion term debt facility during the current year. Kumba was not in breach of any of its covenants during the year. This was also the case in 2009.

Kumba's debt profile has a longer-term bias, which reflects both our capital investment programme as well as the excellent results generated by our operations over the last year. This has reduced the group's dependency on short-term borrowing facilities. The group had undrawn long-term borrowing and uncommitted short-term facilities of R9.3 billion at 31 December 2010 (2009: R8.1 billion).

With approved capital expenditure forecast to increase substantially in 2011, net debt is expected to increase to around R1 billion in 2011, after cash settling the maturing Envision scheme, based on January 2011 iron ore prices and exchange rates.

Our gross debt to historical equity reduced to 17%. However, after the payment of the final dividend this will increase to around 40%, which is deemed prudent in the current environment.

Share buy-back programme

During the year, Kumba entered into a general repurchase programme to repurchase its own ordinary shares on the JSE. In terms of the programme the broker was mandated to repurchase 349 800 ordinary shares in the share capital of the company. The repurchases were effected within the limits of the programme, as per the JSE and the special resolution approved by shareholders at the annual general meeting held on 31 March 2010. During the period before 31 December 2010, Kumba purchased 124 515 shares and the remaining 225 285 shares under the programme were purchased subsequent to 31 December 2010 for a total cash consideration of R152 million (average of ~R435 per share).

Kumba's net (cash)/debt position at 31 December

	2010 Rm	Restated 2009 Rm
Total interest-bearing borrowing	**3 185**	3 914
Cash and cash equivalents	**(4 855)**	(891)
Net (cash)/debt	**(1 670)**	3 023
Total equity	**18 376**	**8 956**
Gross debt/equity (%)	**17%**	**44%**
Interest cover	**77 times**	**43 times**

Cash flows

The group continued to generate substantial cash from operations, with R27.0 billion (before the mining royalty of R1.4 billion) generated during the year, more than double the R12.7 billion of 2009. These cash flows were used to pay taxation of R7.0 billion, mining royalties of R1.4 billion, aggregate dividends of R8.6 billion and capital expenditure of R4.7 billion during 2010. At 31 December 2010 the group was in a net cash position of R1.7 billion (R3.0 billion net debt at the end of 2009).

SHAREHOLDER RETURNS

Share price

Kumba's share price has shown a marked increase during the year, increasing 39% from the closing price of R305 at 31 December 2009 to R425 at 31 December 2010. The share price has increased at a compound annual growth rate of 40% from its listing share price of R111 at the end of 2006. Kumba continued to outperform the mining index of the JSE FTSE/Mining index during 2010 by some 30%.

Dividends

Attributable and headline earnings for the year were R44.66 and R44.67 per share respectively (2009: R21.94 and 21.87 per share). The board reviewed the cash flow generation, growth plans and the capital structure of Kumba and recommended a final dividend of R21.00 per share (interim dividend R13.50 per share), bringing the total dividend for the year to R34.50 (2009: R14.60). Since its listing in November 2006 Kumba has declared dividends of R78.40 per share.

Dividend cover

Kumba continues to return cash to its shareholders after paying due consideration, inter alia, to the need to preserve cash to fund the future growth of the group.

Kumba's dividend policy of returning surplus cash to shareholders remains unchanged as does the desire to fund capital expenditure with debt instruments.

The board announced a decrease in the dividend cover to 1.3 times for 2010 from 1.5 times in 2009 after considering:

- The financial position of the group as a result of the substantial cash generated during 2010; and
- The group's declining capital expenditure profile over the next four years and in particular the peak in 2011.

The board believes that a 1.3 times cover is prudent and sustainable. The board will continue to consider the dividend payable at each declaration date after taking into account the financial position and prospects of the group.

Dividend declared by SIOC

	Total dividend 2010 Rm	Total dividend 2009 Rm
Total dividend	**13 982**	6 295
Kumba	**10 348**	4 658
Exxaro	**2 796**	1 259
SIOC Community Development Trust	**419**	189
Envision (Employee share ownership scheme)	**419**	189

Empowerment

SIOC remains committed to maintaining its black economic empowerment (BEE) status.

The capital and substantial dividend cash returns that SIOC has been able to deliver to its BEE shareholders has resulted in the SIOC Community Development Trust being able to use the dividends it received from SIOC to redeem its outstanding funding in full during the third quarter of 2010, six years earlier than originally anticipated. Based on Kumba's share price of R425 on 31 December 2010 this shareholding is valued at over R5 billion. All future dividends earned by the trust's shareholding will be available for community development.

Envision, SIOC's broad-based employee share participation scheme, has already paid R221 million to the approximately 5 000 participants in the scheme. The remainder of the dividend payments that have accrued to Envision have been used to redeem the scheme's outstanding debt. From the final 2010 dividend a further R185 million of Envision's outstanding debt was redeemed. The Envision share participation scheme matures in November 2011 at which time the participants will be paid out in cash for their holdings.

Since 2006, SIOC has paid just over R6.5 billion in dividends to Exxaro Resources Limited (Exxaro Resources), its 20% BEE shareholder and the largest black-owned diversified miner listed on the JSE.

SUSTAINABILITY

Kumba's strategic approach is aimed at ensuring the sustainability of its business. Kumba aims to minimise the environmental impact of its operations by taking a systematic and disciplined approach and applying sophisticated risk assessment techniques that directly informs its strategic initiatives and plans. The group's total social and community development spend in 2010 was R134 million, which includes spend on social and labour plan commitments.

In 2010 substantial progress was made in addressing the bioremediation of historic hydrocarbon contamination. A total of R25 million has been spent on this over the past few years, and we should see further substantial progress on this in 2011.

EXXARO RESOURCES

R6 585 million

TOTAL RETURNED CASH

SIOC COMMUNITY DEVELOPMENT TRUST

R989 million

TOTAL RETURNED CASH

R458 million

FUNDING FULLY REDEEMED

ENVISION

R989 million

TOTAL RETURNED CASH

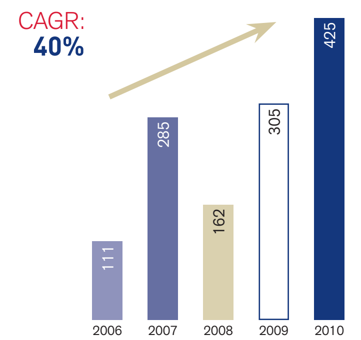
R221 million

PAID TO EMPLOYEES

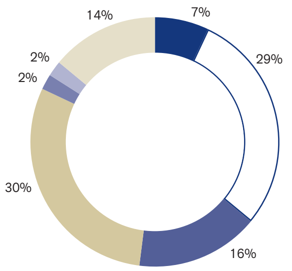
R768 million

TO REPAY FUNDING AND INTEREST

2006 – 2010 | **HISTORIC SHARE PRICES** (R)



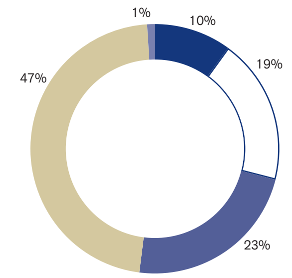
2010	UTILISATION OF CASH GENERATED (%)



- Employee costs
- Taxation*
- Additions to PPE
- Dividends paid
- Net borrowings repaid
- Other
- Cash retained

** Taxation includes mining royalties*

2009	UTILISATION OF CASH GENERATED (%)



- Employee costs
- Taxation
- Additions to PPE
- Dividends paid
- Other*

** Net borrowings of R56 million was raised in 2009; and cash and cash equivalents decreased by R2.9 million for the year*

KEY FACTORS AFFECTING FUTURE OPERATING RESULTS

Export iron ore sales volumes

The outlook for the seaborne iron ore market in 2011 remains robust with no major iron ore projects forecast to come on line in 2011. China's crude steel production is expected to grow by about 5% in 2011, and we see limited room for growth in Chinese domestic iron ore production, supporting demand for seaborne imports. Therefore, we anticipate the supply-demand balance to remain tight in 2011. Export sales for Kumba are expected to be in line with the levels of 2010, around 36Mt, with a potential upside of additional rail capacity at super-tariffs.

Export iron ore price

Looking at the key drivers of our profitability, there remains a considerable degree of uncertainty around future pricing mechanisms for seaborne iron ore.

We have adopted quarterly pricing for our long-term benchmark contracts but we have not yet entrenched the quarterly pricing mechanism for future quarters. Spot prices are expected to remain strong but potentially volatile during 2011.

Exchange rate

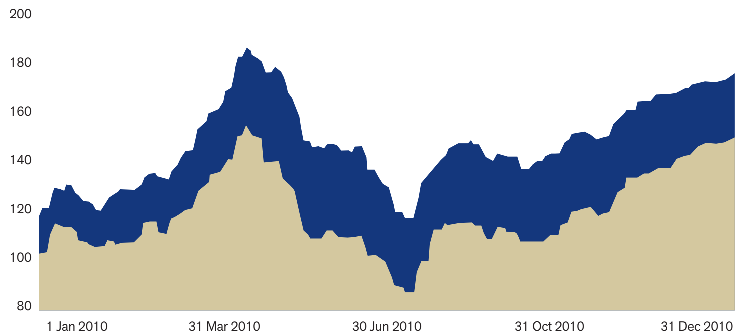
Relative to the US Dollar, the South African Rand has strengthened 13% over the past year, returing to pre-2008 levels, as can be seen from the graph below. A significant proportion of our turnover and capital expenditure is affected by Rand/US Dollar exchange rate, and as such Kumba's operating profit remains highly sensitive to the Rand/US Dollar exchange rate.

Operating expenses

Now that the jig plant is fully ramped up, production is expected to remain stable during 2011. The next stage of production growth will come from Kolomela Mine in 2012. Waste mining at Sishen Mine is anticipated to increase as the pit gets deeper and wider. In 2010 the benefit of the ramp up and additional production volume from the jig plant partially offset the cost of additional waste stripping.

Going forward we will not have this benefit as we are now at full production capacity at Sishen Mine. Therefore further increases in unit cash costs are anticipated in future periods, as Sishen Mine increases waste stripping activity.

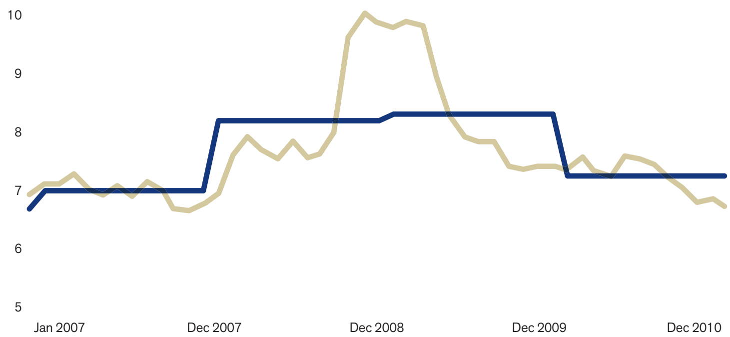
2009 – 2010	PLATTS INDEX CHINA IRON ORE 62% AND 58% Fe PRICES (US$/dmt CFR Qingdao)



- Platts 58% Fe
- Platts IODEX 62% Fe CFR

Source: Platts

2007 – 2010	RAND/US DOLLAR EXCHANGE RATE



- Yearly average
- Monthly average

Kumba continues to investigate ways of reducing the impact of these increases through product portfolio analyses and asset optimisation initiatives.

Operating efficiencies and revenue enhancement

Kumba remains focused on achieving further benefit from successful cost management, operational efficiency and revenue enhancement initiatives from its asset optimisation programmes and participation in the Anglo American Supply Chain procurement organisation. Cost control continues to be a major focus of the group as it faces the challenges of increased waste mining at its operations. The flagship Sishen Mine transformation programme ('Start of Bokamoso') has delivered further mining operational efficiency gains and contributed to the increased production of the mine through improvements in the jig plant yield, the reduction in the maintenance shutdown period as well as improvements in the up-current classifier and fine cyclone of the DMS plant. Further value has been extracted by Kumba through its marketing initiatives to enhance the premia achieved on its niche lump products.

SIGNIFICANT ACCOUNTING MATTERS

Change in accounting estimates

The provisions for environmental rehabilitation and decommissioning are calculated using management's best estimate of the costs to be incurred based on the group's environmental policy taking into account current technological, environmental and regulatory requirements discounted to a present value. Estimates are based upon costs that are regularly reviewed, by internal and external experts, and adjusted as appropriate for new circumstances. Actual costs incurred in future periods could differ from the estimates. Additionally, future changes to environmental laws and regulations, life-of-mine estimates and discount rates used could affect the carrying amount of this provision. As a result the liabilities that we report can vary if our assessment of the expected expenditures changes.

At 31 December 2010 management revised the estimate of the amount and timing of the closure cost of Sishen Mine and Thabazimbi Mine.

The change in estimate in the environmental rehabilitation provision resulted in a decrease in attributable profit for 2010 of R66 million (effect on earnings per share 20.6 cents per share) after taking into account taxation of R34 million and minority interest of R20 million. The change in estimate in the decommissioning provision has been capitalised to the related property, plant and equipment.

Deconsolidation of SIOC Community Development SPV

On 17 August 2010 the SIOC Community Development SPV (Pty) Limited (the SPV) redeemed the remaining R38 million of the R458 million redeemable preference shares issued by the SPV to facilitate the acquisition of its 3% shareholding in SIOC, in September 2006.

The SPV was previously consolidated into Kumba as a special purpose entity, and the SPV's 3% shareholding in SIOC formed part of Kumba's controlling interest in SIOC. At the redemption of the outstanding preference shares by the SPV, the control over the SPV that was established in terms of the preference share agreement ceased, and Kumba consequently deconsolidated the SPV effective from this date. The non-controlling interest in SIOC increased by 3% and the controlling and non-controlling interests were adjusted to reflect the changes in the relative interests in SIOC.

The change in non-controlling interest was recognised directly in equity and attributed to the owners of Kumba as no consideration was received by Kumba. This transaction resulted in an increase of R301 million in non-controlling interests with a corresponding decrease in reserves.

R14 million was reallocated to retained earnings on deconsolidation. The net cash outflow on deconsolidation of the SPV was R147 million.

Accounting policies

The group adopted the following amendments to existing standards with effect from 1 January 2010.

IFRS 2, Share-based Payment (amendment)

The amendment did not affect the classification of share-based payments in the consolidated financial statements, but had an impact on the classification of share-based payments in the stand-alone accounts of its subsidiary, SIOC, with a consequential impact on the non-controlling interest reported in the consolidated financial statements.

The amendments to the standard have been applied retrospectively to all employee share incentive schemes outstanding at the reporting date. The effect on headline earnings per share was an increase of 9.4 cents and 4.6 cents for the years ended 31 December 2010 and 2009 respectively.

IAS 27 (revised), Consolidated and Separate Financial Statements

The group applied IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. This has resulted in a change in the group's accounting policies for changes in ownership interests in subsidiaries, specifically where those changes do not result in loss of control.

Under IAS 27 (revised), all increases or decreases in ownership that do not result in loss of control are dealt with in equity, with no impact on goodwill or profit or loss. The adoption of the revised standard has affected the accounting for the deconsolidation of the SPV from the group during the year.

Annual Improvements Projects: 2008 and 2009

The application of the amendments arising from the 2008 and 2009 Annual Improvements Projects has not had an effect on the reported results, with the exception of the amendment to IAS 7, 'Statement of Cash Flows' noted below.

IAS 7, Statement of Cash Flows (amendment)

This amendment is effective prospectively for the reporting period commencing 1 January 2010. Consequently, to the extent that no corresponding asset(s) has been recognised, the translation effects of cash flows of foreign operations previously disclosed in the line item 'Other' as part of cash flows from investing activities in the group cash flow statement, has been reallocated to cash flows from operating activities as well as to the new line item 'Exchange differences on cash and cash equivalents' included on the face of the group cash flow statement for the year ended 31 December 2010.

Conceptual Framework for Financial Reporting 2010

The Conceptual Framework for Financial Reporting 2010 was issued in September 2010 with no stated effective date and it was therefore effective from the date of issue. It replaced the Framework for the Preparation and Presentation of Financial Statements previously in issue and did not have a significant impact on the reported results for the year ended 31 December 2010.

CONCLUSION

The year under review has been very successful for the group. This has enabled Kumba to deliver consistently on and exceed our financial targets and build value for our shareholders. Our strong financial position, together with our sustained financial performance, provides a solid foundation for sustainable growth. The new financial year presents a number of eagerly anticipated challenges and opportunities for which we are well prepared.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

FOR THE YEAR ENDED 31 DECEMBER 2010

The directors are responsible for:

- The preparation and fair presentation of the annual financial statements of the Kumba Iron Ore Limited group ('the group') as well as Kumba Iron Ore Limited ('Kumba' or 'the company'), in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and the Listings Requirements of the JSE Limited, which include amounts based on judgements and estimates made by management.

  The annual financial statements comprise the balance sheets at 31 December 2010; the income statements, the statements of comprehensive income, the statements of changes in equity and cash flow statements for the year then ended; the notes to the financial statements, which include a summary of principal accounting policies and other explanatory notes; and the directors' report.
- Maintaining adequate accounting records and an effective system of risk management.
- Developing, implementing and maintaining a sound system of internal control relevant to the preparation and fair presentation of these financial statements that provide reasonable but not absolute assurance against material misstatement or loss, whether owing to fraud or error.
- Selecting and applying appropriate accounting policies.
- Making accounting estimates that are reasonable in the circumstances.
- Safeguarding shareholders' investments and the group's assets.
- Preparing the supplementary annexures included in these financial statements.

The directors, primarily through the audit committee and the risk committee, meet periodically with the external and internal auditors as well as the executive management to evaluate matters concerning the above responsibilities.

The group's internal auditors independently evaluate the internal controls and co-ordinate their audit coverage with the external auditors.

The independent auditors are responsible for reporting on whether the group annual financial statements and the company annual financial statements are fairly presented in accordance with the applicable financial reporting framework. Their report to the members of the group and Kumba is set out on page 12 of this report.

The external and internal auditors have unrestricted access to all records, property and personnel as well as to the audit committee.

The directors are not aware of any material breakdown in the functioning of these controls and systems during the year under review. The directors are of the opinion, based on the information and explanations given by management and the internal auditors, that the internal accounting controls are adequate, so that the financial records may be relied on for preparing the annual financial statements and maintaining accountability for assets and liabilities.

In the light of the current financial position and existing borrowing facilities as well as the group's financial budgets with their underlying business plans, the directors consider it appropriate that the annual financial statements be prepared on the going-concern basis.

APPROVAL OF GROUP ANNUAL FINANCIAL STATEMENTS AND COMPANY ANNUAL FINANCIAL STATEMENTS

The group annual financial statements on pages 13 to 72 and the annual financial statements of the company on pages 74 to 81, as identified in the first paragraph, were approved by the Kumba board of directors on 9 February 2011 and are subject to the approval by the shareholders at the annual general meeting on 6 May 2011. The group and company annual financial statements are signed on the directors' behalf by:

AJ Morgan
Interim Chairman

CI Griffith
Chief Executive Officer

VP Uren
Chief Financial Officer

9 February 2011

CERTIFICATE OF THE COMPANY SECRETARY

FOR THE YEAR ENDED 31 DECEMBER 2010

I, VF Malie, in my capacity as company secretary, confirm that, for the year ended 31 December 2010, Kumba Iron Ore Limited has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act No 61 of 1973 of South Africa, as amended, and that all such returns are true, correct and up to date.

VF Malie
Company Secretary

9 February 2011

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF KUMBA IRON ORE LIMITED

We have audited the annual financial statements of Kumba Iron Ore Limited, which comprise the balance sheet and the consolidated balance sheet as at 31 December 2010, the income statement and the consolidated income statement, statement of comprehensive income and consolidated statement of comprehensive income, the statement of changes in equity and the consolidated statement of changes in equity and cash flow statement and the consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 13 to 81.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the company and of the group as at 31 December 2010, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

Deloitte · Touche

Deloitte & Touche
Registered Auditor

Per G Krog
Partner

9 February 2011

Deloitte Place, Buildings 1 and 2,

The Woodlands Office Park
20 Woodlands Drive
Sandton
South Africa

National Executive:
GG Gelink *Chief Executive*; AE Swiegers *Chief Operating Officer*; GM Pinnock *Audit*; DL Kennedy *Risk Advisory*; NB Kader *Tax & Legal Services*; L Geeringh *Consulting*; L Bam *Corporate Finance*; JK Mazzocco *Human Resources*; CR Beukman *Finance*; TJ Brown *Clients*; NT Mtoba *Chairman of the Board*; MJ Comber *Deputy Chairman of the Board.*

A full list of partners and directors is available on request

BBBEE rating: Level 2 contributor/AAA (certified by Empowerdex)

Member of Deloitte Touche Tohmatsu Limited

DIRECTORS' REPORT

COMPANY REGISTRATION NUMBER 2005/015852/06
FOR THE YEAR ENDED 31 DECEMBER 2010

The directors have pleasure in presenting the annual financial statements of the group and Kumba for the year ended 31 December 2010.

NATURE OF BUSINESS

Kumba was incorporated in South Africa on 16 May 2005 and commenced trading in November 2006 following the unbundling of Kumba from Exxaro Resources Limited (previously Kumba Resources Limited). Subsequent to unbundling Kumba listed on the JSE Limited (JSE) on 20 November 2006 as the only pure play iron ore company on the JSE.

Kumba is a mining group of companies focusing on the exploration, extraction, beneficiation, marketing, sale and shipping of iron ore. Kumba produces iron ore in South Africa at Sishen Mine in the Northern Cape Province and at Thabazimbi Mine in the Limpopo Province, and is currently developing a new mine, Kolomela Mine, also in the Northern Cape Province.

The nature of the businesses of the group's subsidiaries, associates and joint ventures is set out in annexures 1 and 2.

CORPORATE GOVERNANCE

The group subscribes to the Code of Good Corporate Practices and Conduct as contained in the King II report on corporate governance. The board has satisfied itself that Kumba has complied in all material aspects with the code as well as the JSE Listings Requirements throughout the year under review. The corporate governance report is contained in the Board of Directors' Annual Report. The board is currently in the process of implementing the recommendations of King III.

FINANCIAL RESULTS

The financial statements on pages 13 to 81 set out fully the financial position, results of operations and cash flows of the group for the financial year ended 31 December 2010.

Operating results for the year

Summary of the key financial results for the year ended 31 December:

	2010 Rm	Restated 2009 Rm	% Increase
Revenue	**38 704**	23 408	65
Operating profit	**25 131**	12 880	95
Cash generated from operations (excluding mining royalties paid)	**26 965**	12 745	112

Kumba's revenue increased by 65% to R38.7 billion. The group's total mining revenue (excluding shipping operations – R2.9 billion) of R35.8 billion for the year was 79% higher than the R20.0 billion of 2009.

Operating profit increased by 95% from R12.9 billion to R25.1 billion improving the group's operating profit margin from 55% in 2009 to 65%. The operating profit margin, excluding the margin earned from providing a shipping service to customers, increased from 61% in 2009 to 69%. Operating expenses (excluding the royalty expense of R1.4 billion) increased by 16% to R12.2 billion.

The group continued to generate substantial cash from its operations, with R27.0 billion generated during the year, more than double the R12.7 billion of 2009. At 31 December 2010 the group was in a net cash position of R1.7 billion (R3.0 billion net debt at the end of 2009).

Attributable and headline earnings for the year were R44.66 and R44.67 per share respectively. Refer to note 20, 'Per share information', of the group annual financial statements for an analysis of movements in the group's basic, diluted, headline and diluted headline earnings per share.

FINANCIAL POSITION

Summary of the financial position as at 31 December:

	2010 Rm	2009 Rm	% Increase
Property, plant and equipment	**15 866**	11 568	37
Working capital (excluding cash and cash equivalents)	**2 924**	2 593	13
Net cash/(debt)	**1 670**	(3 023)	155
Net asset value per share (R)	**44.54**	22.80	95

Property, plant and equipment

The group incurred capital expenditure on property, plant and equipment of R4.7 billion for the year ended 31 December 2010 (2009: R4.0 billion).

R3.1 billion (2009: R2.8 billion) was incurred for the expansion of its operations, mainly on the development of Kolomela Mine, and R1.6 billion (2009: R1.2 billion) to maintain its operations, mainly for the acquisition of heavy mining equipment for Sishen Mine. A total of R1.5 billion (2009: R1.3 billion) was transferred from assets under construction to machinery, plant and equipment during the year as these assets were brought into production.

Capital expenditure – Kolomela Mine

The development of Kolomela Mine is well advanced in terms of key deliverables and overall project progress is at 81%. The project remains on budget and on schedule to deliver initial production by the end of the first half of 2012. To date 22.6Mt of waste material has been pre-stripped of which 18.6Mt was mined during 2010 at a cost of R604 million, which has been capitalised.

R5.3 billion of capital expenditure (excluding R793 million of capitalised mining operating expenses) has been incurred to date; a further R1.2 billion was committed on the project at 31 December 2010.

Interest-bearing borrowings

At 31 December 2010, R3.2 billion of the total R8.6 billion long-term debt facilities has been drawn down to finance Kumba's expansion. As a result of the strong cash flow generation of the group due to higher export iron ore prices and sales volumes, Kumba repaid a net amount of R1.7 billion drawn down against its R5.4 billion term debt facility during 2010. Kumba was not in breach of any of its covenants during the year. The group had undrawn long-term borrowing and uncommitted short-term facilities at 31 December 2010 of R9.3 billion (2009: R8.1 billion).

ACCOUNTING POLICIES

The group adopted the following amendments to existing standards with effect from 1 January 2010:

IFRS 2, Share-based Payment (amendment)

Kumba applied the IFRS 2 amendment regarding group share-based payment transactions during the 2010 financial year. The amendment did not affect the classification of share-based payments in the consolidated financial statements, but had an impact on the classification of share-based payments in the stand-alone accounts of its subsidiary, SIOC, with a consequential impact on the non-controlling interest reported in the consolidated financial statements.

The amendments to the standard have been applied retrospectively to all employee share incentive schemes outstanding at the reporting date. The effect on headline earnings per share was an increase of 9.4 cents and 4.6 cents for the years ended 31 December 2010 and 2009 respectively.

The effect on earnings and equity is disclosed in the table below:

	Audited 31 Dec 2010 Rm	Restated 31 Dec 2009 Rm
Decrease in earnings attributable to non-controlling interests for the period	**29**	15
Increase in earnings attributable to the owners of Kumba for the period	**29**	15
Cumulative decrease in total non-controlling interests disclosed in equity	**67**	26
Cumulative increase in equity-settled share-based payment reserve disclosed in equity	**24**	11
Cumulative increase in retained earnings disclosed in equity	**43**	15
Increase in opening non-controlling interests disclosed in equity	**–**	2
Decrease in opening retained earnings disclosed in equity	**–**	2

IAS 27 (revised), Consolidated and Separate Financial Statements

The group applied IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010. This has resulted in a change in the group's accounting policies for changes in ownership interests in subsidiaries, specifically where those changes do not result in loss of control.

In prior years, the group applied a policy of treating all transactions with non-controlling interests as transactions with parties external to the group. That is, disposals to non-controlling interests resulted in gains and losses for the group that were recognised in the income statement and purchases from non-controlling interests resulted in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary. Under IAS 27 (revised), all such increases or decreases that do not result in loss of control are dealt with in equity, with no impact on goodwill or profit or loss.

The adoption of the revised standard has affected the accounting for the deconsolidation of the SIOC Community Development SPV from the group during the year (refer to note 29).

Annual Improvements Projects: 2008 and 2009

The application of the amendments arising from the 2008 and 2009 Annual Improvements Projects did not have an effect on the reported results, with the exception of the amendment to IAS 7 'Statement of Cash Flows' noted below.

IAS 7, Statement of Cash Flows (amendment)

The guidance provided in IAS 7 has been amended to clarify that only expenditure that results in a recognised asset in the balance sheet can be classified as a cash flow from investing activities. Consequently, to the extent that no corresponding asset(s) has been recognised, the translation effects of cash flows of foreign operations previously disclosed in the line item 'Translation effects of cash flows of foreign operations' as part of cash flows from investing activities in the group cash flow statement, has been reallocated to cash flows from operating activities as well as to the new line item 'Exchange differences on translation of cash and cash equivalents' included on the face of the group cash flow statement for the year ended 31 December 2010.

Conceptual Framework for Financial Reporting 2010

The Conceptual Framework for Financial Reporting 2010 was issued in September 2010 with no stated effective date and it was therefore effective from the date of issue. It replaced the Framework for the Preparation and Presentation of Financial Statements previously in issue and has not had a significant impact on the reported results for the year ended 31 December 2010.

SHARE CAPITAL

Authorised share capital

The company's authorised share capital of 500 000 000 shares remained unchanged during the year.

Share capital movements

The group acquired 528 229 (2009: 325 707) of its own shares through purchases on the JSE during the year. The total amount paid to acquire the shares was R191 million (2009: R60 million). This includes 124 515 shares repurchased for a cash consideration of R53 million during December 2010 as part of a general share repurchase programme (Refer to note 36 'Post-balance sheet events').

210 404 (2009: 293 359) of these shares were allocated as conditional share awards under the Kumba Bonus Share Plan. 168 801 (2009: 'nil' shares) of these shares were utilised to redeem conditional awards and share appreciation rights that vested under the Long-Term Incentive Plan and Share Appreciation Rights Scheme during the year. The remaining shares are held as treasury shares and the purchase consideration has been deducted from equity.

During the year, Kumba issued 1 496 640 shares (2009: 953 660 shares) of 1 cent each to the Management Share Option Scheme Trust at an average price of R53.52 per share. Options exercised by participating employees resulted in 1 480 962 of these shares being transferred (2009: 2 610 960 shares) by the Management Share Option Scheme during the year ended 31 December 2010. The related exercise proceeds of R74 million (2009: R132 million) was received by Kumba.

Unissued shares

The directors are authorised to issue unissued shares until the next annual general meeting. Shareholders will be asked to extend the authority of the directors to control the unissued shares of the company at the forthcoming annual general meeting, up to a maximum of 5% of the issued capital.

DIVIDENDS

An interim dividend of R13.50 per share was paid on 23 August 2010. A final dividend of R21.00 per share was declared on 9 February 2011 from profits accrued during the financial year ended 31 December 2010. The total dividend for the year amounted to R34.50 per share.

The estimated total cash flow of the final dividend of R21.00 per share, paid on 22 March 2011, is R6.8 billion for Kumba.

The board of directors is satisfied that the capital remaining after payment of the final dividend is sufficient to support the current operations and to facilitate future development of the business.

SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Full particulars of the group's investment in subsidiaries, associates and joint ventures are set out in annexures 1 and 2.

Kumba resolved to wind up the entire West African group structure after the decision was taken in 2009 to undertake no further work on two exploration targets in Guinea. Consequently it disposed of its investments in Kumba Investments Guinea BV and Kumba Investments West Africa BV during 2010. The net cash outflow on disposal of the subsidiaries was R2 million.

DECONSOLIDATION OF SIOC COMMUNITY DEVELOPMENT SPV

On 17 August 2010, the SIOC Community Development SPV (Pty) Limited (the SPV) redeemed the remaining R38 million of the R458 million redeemable preference shares issued by the SPV to facilitate the acquisition of its 3% shareholding in SIOC in September 2006.

The SPV was previously consolidated into Kumba as a special purpose entity, and the SPV's 3% shareholding in SIOC formed part of Kumba's controlling interest in SIOC. At the redemption of the outstanding preference shares by the SPV, the control over the SPV that was established in terms of the preference share agreement ceased and Kumba consequently deconsolidated the SPV effective from this date. The non-controlling interest in SIOC increased by 3% and the controlling and non-controlling interests was adjusted to reflect the changes in the relative interests in SIOC.

The change in non-controlling interest was recognised directly in equity and attributed to the owners of Kumba as no consideration was received by Kumba. This transaction resulted in an increase of R301 million in non-controlling interests with a corresponding decrease in reserves.

R14 million was reallocated to retained earnings on deconsolidation. The net cash outflow on deconsolidation of the SPV was R147 million.

HIGHLIGHTS

Revenue R38.7 billion

65% INCREASE

Operating profit R25.1 billion

95% INCREASE

Net cash R1.7 billion

R9.3 billion undrawn borrowings

Capital expenditure R4.7 billion

EXPANSIONARY R3.1 BILLION

STAY IN BUSINESS R1.6 BILLION

Net asset value R44.54 per share

95% INCREASE

READ MORE

Note 20	Per share information	page 56
Note 21	Share capital and share premium (including treasury shares)	page 57
Note 29	Deconsolidation of SIOC Community Development SPV	page 64
Annexures 1 and 2 – Investments in subsidiaries, associates and joint ventures		page 80

FOR THE YEAR ENDED 31 DECEMBER 2010

EQUITY COMPENSATION PLANS

Refer to the detailed remuneration report on pages 18 to 26 and note 22, 'Equity-settled share-based payment reserve', of the group annual financial statements for a detailed discussion and analysis of movements in the group's various equity compensation plans available to executive directors and senior employees.

SEGMENT RESULTS

Refer to note 38 for a detailed segmental analysis of the group's operating results for the year ended and financial position as at 31 December 2010.

HOLDING COMPANY AND RELATED PARTIES

Anglo American plc is the group's ultimate holding company. The interest in the group is held through a 65.25% holding by Anglo South Africa Capital (Pty) Limited (2009: 62.76%).

The analysis of ordinary shareholders is given on pages 84 and 85.

MANAGEMENT BY THIRD PARTIES

None of the businesses of the company or its subsidiaries had been managed by a third party or a company in which a director had an interest during the financial year.

CONTINGENT ASSETS AND LIABILITIES

Falémé Project

Kumba initiated arbitration proceedings against La Société des Mines de Fer du Sénégal Oriental (Miferso) and the Republic of Senegal under the rules of the Arbitration of the International Chamber of Commerce in 2007, in relation to the Falémé Project.

Following the arbitration award rendered in July 2010, a mutually agreed settlement was concluded between the parties. The parties agreed that the precise terms of the settlement agreement will remain confidential. The settlement amount will be recovered in equal instalments from the Republic of Senegal over a five-year period from 2011, on which contingent legal costs will be payable. A portion of the amount recovered will be committed over a five-year period to social and community development projects to benefit the population of Senegal.

Environmental obligations

During 2010 SIOC issued financial guarantees to the Department of Mineral Resources (DMR) to the value of R567 million in respect of the environmental rehabilitation and decommissioning obligations of Sishen Mine.

There have been no other significant changes in the contingent assets and liabilities disclosed at 31 December 2009.

LEGAL PROCEEDINGS

ArcelorMittal South Africa Limited (ArcelorMittal)

SIOC notified ArcelorMittal on 5 February 2010, that it was no longer entitled to receive 6.25Mtpa of iron ore contract mined by SIOC at cost plus 3% from Sishen Mine, as a result of the fact that ArcelorMittal had failed to convert its old-order mining rights. This contract mining agreement, concluded in 2001, was premised on ArcelorMittal owning an undivided 21.4% interest in the mineral rights of Sishen Mine. As a result of ArcelorMittal's failure to convert its old-order mining right, the contract mining agreement automatically lapsed and became inoperative in its entirety as of 1 May 2009.

As a result, a dispute arose between SIOC and ArcelorMittal, which SIOC has referred to arbitration. Both parties have exchanged their respective pleadings, and the arbitration panel has been appointed.

SIOC and ArcelorMittal reached an interim pricing arrangement in respect of the supply of iron ore to ArcelorMittal from the Sishen Mine. This arrangement will endure until 31 July 2011.

21.4% undivided share of the Sishen Mine mineral rights

After ArcelorMittal failed to convert its older rights, SIOC applied for the residual 21.4% mining right previously held by ArcelorMittal and its application was accepted by the DMR on 4 May 2009. A competing application for a prospecting right over the same area was also accepted by the DMR. SIOC objected to this acceptance. Notwithstanding this objection, a prospecting right over the 21.4% interest was granted by the DMR to Imperial Crown Trading 289 (Pty) Limited (ICT). SIOC initiated a review application in the North Gauteng High Court on 21 May 2010 in relation to the decision of the DMR to grant a prospecting right to ICT.

SIOC initiated an application on 14 December 2010 to interdict ICT from applying for a mining right in respect of the Sishen Mine and the DMR from accepting an application from ICT or granting such 21.4% mining right to ICT pending the final determination of the review application. This interdict application is currently pending.

The DMR informed SIOC on 12 January 2011 that ICT had applied for a 21.4% mining right over Sishen Mine on 9 December 2010, and that the DMR had accepted this application on 23 December 2010. The DMR's acceptance of the application means that the mining right application will now be evaluated according to the detailed process stipulated in the Mineral Resources & Petroleum Development Act 2004 before a decision is made as to whether or not to grant the mining right.

SIOC does not believe that it was lawful for the DMR to have accepted ICT's application pending the High Court Review initiated in May 2010, and has formally objected to, and appealed against, the DMR's acceptance of ICT's mining right application. SIOC has also requested that its interdict application be determined on an expedited basis, in order to prevent the DMR from considering ICT's mining rights application until the finalisation of the review proceedings.

In addition, SIOC is in the process of challenging the DMR's decision of 25 January 2011 to reject SIOC's May 2009 application to be granted the residual 21.4% mining right. Finally, on 26 January 2011, SIOC lodged a new application for the 21.4% mining right.

On 4 February 2011, SIOC made an application to join ArcelorMittal as a respondent in the review process.

SIOC will continue to take the necessary steps to protect its shareholders' interests in this regard.

Lithos Corporation (Pty) Limited (Lithos)

Lithos is claiming US$421 million from Kumba for damages in relation to the Falémé project in Senegal. Kumba continues to defend the merits of the claim and is of the view, and has been so advised, that the basis of the claim and the quantification thereof is fundamentally flawed. The trial date has been postponed indefinitely. No liability has been recognised for this litigation.

POST-BALANCE SHEET EVENTS

Kumba entered into a general share repurchase programme to repurchase ordinary shares which continued into its closed period. This closed period commenced on 31 December 2010 and ended with the release of the company's annual results on 10 February 2011. In terms of the programme the broker was mandated to repurchase 349 800 ordinary shares in the share capital of the company. The repurchase was effected within the limits of the programme, as per the JSE and the special resolution approved by shareholders at the annual general meeting held on 31 March 2010.

During the period before 31 December 2010, Kumba purchased 124 515 shares and the remaining 225 285 shares under the programme were purchased subsequent to 31 December 2010 for a cash consideration of R99 million.

The directors are not aware of any other matter or circumstance arising since the end of the year and up to the date of this report that affect the amounts recognised in the financial statements for the year ended 31 December 2010, not otherwise dealt with in this report.

COMPANY SECRETARY

The company secretary of Kumba is Mr VF Malie. His business and postal addresses appear on the inside back cover.

DIRECTORS

The names of the directors in office during the year and at the date of this report are set out in the Board of Directors' Annual Report. The remuneration and fees of directors as well as the directors' beneficial interest in Kumba are set out in the detailed remuneration report on pages 18 to 26.

The board of directors of Kumba announced the following changes in Kumba's directorate during the year:

- The resignation of Dr Nkosana Moyo and Mr Philip Baum as non-executive directors on 12 January 2010. Both Dr Moyo and Mr Baum were members of the board of Kumba since its inception in November 2006.
- The appointment of Mr David Weston, Anglo American plc's Group Director of Business Performance and Projects, as a non-executive director on 10 February 2010.
- The appointment of Mr Godfrey Gomwe as a non-executive director with effect from 17 May 2010. Mr Gomwe is an executive director of Anglo American South Africa Limited and he serves on a number of Anglo American South Africa Limited operational boards and Thebe Investment Corporation (Pty) Limited as a non-executive director.
- The resignation of Mr Lazarus Zim as Chairman and non-executive director of the company with effect from 14 December 2010. The board and management acknowledge and express appreciation for his able leadership during his tenure as chairman and wish him well for the future. Allen Morgan, the senior lead independent director has been appointed as the Interim Chairman, effective 15 December 2010.

AUDIT COMMITTEE

The detailed report of the Audit Committee for the year ended 31 December 2010 is set out on pages 84 and 85 of the Board of Directors' Annual Report.

AUDITORS

Deloitte & Touche continued in office as auditors of Kumba and its subsidiaries. At the annual general meeting on 6 May 2011, shareholders will be requested to reappoint Deloitte & Touche auditors of Kumba for the 2011 financial year.

SPECIAL RESOLUTION

On 31 March 2010 the shareholders of Kumba resolved that the company and any of its subsidiaries may from time to time be authorised to acquire of the company's own shares subject to the articles of association of the company, the provisions of the Companies Act and the Listings Requirements of the JSE.

GOING CONCERN STATEMENT

The directors have reviewed the group's financial budgets with their underlying business plans. In light of the current financial position and existing borrowing facilities, they consider it appropriate that the annual financial statements be prepared on the going-concern basis.

READ MORE

Note 22 Equity-settled share-based payment reserve	page 57
Note 38 Segment reporting	page 72
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Analysis of shareholders	page 84
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Sishen supply agreement and mineral rights www.kumba.co.za/sioc/index.php

REMUNERATION REPORT

FOR THE YEAR ENDED 31 DECEMBER 2010

KUMBA'S REMUNERATION PHILOSOPHY

Kumba's remuneration philosophy aims to:

- Motivate and reinforce the performance of individuals;
- Attract and retain talented individuals;
- Compete in the marketplace with the intention of being a preferred employer, which is seen as a key element in the implementation of Kumba's strategy; and
- Apply its remuneration policies equitably, fairly and consistently in relation to job responsibility, the employment market and personal performance.

Kumba's overall remuneration philosophy remained unchanged from prior years, however, certain components of our long-term incentive rules have been reviewed and amended during 2010.

The board believes that a properly constituted and effective human resources remuneration and nominations committee (the remuneration committee or Remco) is key in improving the link between directors and executive committee members' pay and company and individual performance, with the ultimate aim of adding value to shareholders.

The remuneration committee has the role of applying principles of accountability and transparency to remuneration matters, so that the remuneration of directors and executive management is linked to performance and supports the group's strategy.

This report describes the remuneration committee's remuneration policy and the directors and executive management's remuneration for the 2010 financial year and includes:

- An overview of the group's remuneration policy and practice for directors and executive management and how the policy links into the group's strategy;
- A description of the remuneration committee, its members, its role and activities during 2010;
- Description of the key elements of the remuneration packages for directors and executive management – salary, benefits, pension, short-term incentives and long-term incentives;
- Details of the remuneration paid to members of the executive committee;
- Details of the executive directors' contracts of employment;
- Details of the remuneration paid to non-executive directors; and
- Tables summarising the payments made to directors in 2010, including detailed descriptions of the various long-term incentive awards and other information relating to 2010 payments.

HIGHLIGHTS

During the year the remuneration committee focused specifically on:

- The appropriateness of reward programmes, accessing pay for performance as per targets set and group and individual performance in achieving Kumba's strategy; and
- Due consideration of the King III code and its application across the Kumba group. Kumba's remuneration philosophy and policies are in many respects aligned to the King III principles and recommended practices.

THE REMUNERATION COMMITTEE

The remuneration committee has functioned as a subcommittee of the Kumba board since Kumba's listing in 2006. When considering remuneration matters, it focuses on the group's remuneration philosophy, on the determination of levels of remuneration and on annual and long-term incentive plans. The underlying philosophy is to offer remuneration that will attract, retain, motivate and reward directors, executive management and employees generally with the skills required for the company to achieve its strategy and, where practicable, to base remuneration on company and personal performance in accordance with competitive market practices.

The role of the remuneration committee in relation to the remuneration of executive directors and executive management is to:

- Provide guidance on the evaluation of the performance of executive directors and to review and approve targets and objectives for all performance related pay and incentive schemes for directors and executive management and to approve annual payouts and awards under such schemes;
- Review and recommend to the board the remuneration of executive directors and executive management, including short-term incentive payments and long-term incentive share awards; and
- Approve the formulae on which all grants pursuant to Kumba's long-term incentive schemes are based.

The role of the remuneration committee in relation to the remuneration of employees generally is to:

- Review and approve proposals for general salary and wage adjustments;
- Approve principles on which short-term incentives for employees are based;
- Approve the formulae on which all grants pursuant to Kumba's long-term incentive schemes to staff are based;
- Approve the overall cost of remuneration increases awarded to employees; and
- Approve the overall cost of short-term incentives awarded to employees.

During the year the members of the remuneration committee were: Mr AJ Morgan, Mr PB Matlare and Mr PL Zim. Mr AJ Morgan, an independent non-executive director, is chairman of the remuneration committee. Mr PL Zim resigned as a member with effect from 14 December 2010. The Chief Executive Officer of Kumba and other members of the Kumba management attend the meetings of the remuneration committee at the request of the remuneration committee. They are requested to leave the meeting prior to decisions being taken on the remuneration of directors or executive management. The group head of reward of Anglo American plc also attends by invitation.

The remuneration committee considers external market surveys on remuneration matters and the interests of shareholders when deliberating on the remuneration of directors and executive management.

In applying agreed remuneration principles, the remuneration committee is committed to principles of accountability, transparency and good governance, as well as to ensuring that the reward arrangements are linked to individual and group performance and that they are in support of the strategy.

The remuneration committee meets at least three times a year and is empowered to obtain such external or other independent professional advice as it considers necessary to carry out its duties.

The remuneration committee met three times during 2010. Attendance at meetings was as follows:

2010	9 Feb	13 May	11 Nov
AJ Morgan	✓	✓	✓
PB Matlare	✓	*	✓
PL Zim	✓	*	✓

✓ *Indicates attendance.*

* *Indicates absence with apology.*

Due to unforeseen circumstances both Peter Matlare and Lazarus Zim were unable to attend the meeting held on 13 May 2010. Decisions taken at this meeting were subsequently ratified by the committee via a round robin resolution.

Kumba's application of remuneration practices in all businesses and functions:

- Aims to provide competitive market-related rewards in the specific labour markets in which Kumba's employees are employed;
- Determines the value proposition of the various positions within job families or functions;
- Ensures that performance management influences the remuneration components and incentives; and
- Applies good governance to remuneration practices within approved structures.

Remuneration elements support the strategy and create short- and long-term value and short-term outperformance for shareholders by focusing on specific earnings before interest and tax (EBIT) and return on capital employed (ROCE) targets. Base pay is kept lean and targeted at the 50th percentile of the market while short-term incentives are capped at a maximum of 60% of basic employment cost (BEC). The long-term incentives are derived directly from the short-term incentives which fully support the pay for performance principle.

The remuneration elements are structured with the following objectives:

- Long-term sustainable value and a high performing business aligned with shareholder interests is created;
- Fair pay is provided to employees for work performed, employees are incentivised to deliver exceptional performance and they have assurance that they are appropriately rewarded together with clear career opportunities; and
- The remuneration committee can provide effective oversight of remuneration, remuneration can be used to reinforce a strong performance culture with no encouragement of excessive risk-taking and the appropriateness of deferral mechanisms to ensure long-term sustainability can be assessed.

2010 key focus areas of Remco

APPROPRIATENESS OF REWARD PROGRAMMES

KING III RECOMMENDATIONS

Executive remuneration packages

BASE PAY TARGETED AT 50TH PERCENTILE OF MARKET

SHORT-TERM INCENTIVES CAPPED AT 60% OF BEC

LONG-TERM INCENTIVES DERIVED DIRECTLY FROM SHORT-TERM INCENTIVES

Increased shareholder value

EXECUTIVE PERFORMANCE LINKED TO STRATEGIC OBJECTIVES

READ MORE

Details of the directorate:
Board of Directors' Annual Report D R

www.angloamericankumba.com/au_directorate.php

Remuneration structure

Overview of the group's remuneration structure for executive directors and executive management:

Element	Fixed/ Variable	Objective	Delivery
Salary	Fixed	Reflects scope and nature of role, performance and experience	Cash
Non-monetary benefits (Medical health care, vehicle allowance etc.)	Fixed	Provision of non-monetary items	Benefits in kind
Pension	Fixed	Provision of retirement benefits	Contribution to pension and provident funds
Short-term incentives	Variable	Rewards and motivates achievement of agreed group performance objectives	Cash of up to maximum of 60% of BEC* for achievement of stretch targets
Long-term incentives	Variable	Alignment with shareholder interests and creation of long-term value	Shares

* *BEC = Cost to company less employer retirement contributions.*

DIRECTORS' FEES AND REMUNERATION

The directors are appointed to the Kumba board based on their ability to contribute competencies and experience appropriate to achieving the group's objectives as a leading value-adding iron ore supplier to the global steel industry. The policy is to ensure that executive directors receive remuneration that is appropriate to their scope of responsibility and contribution to operating and financial performance, taking into account industry norms and external market and country benchmarks.

In applying the remuneration principles adopted, the remuneration committee aims to encourage long-term performance and the continuous alignment of such performance with the strategic direction and specific value drivers of the business.

Executive directors

The remuneration of executive directors of Kumba consists of two components: a fixed component and a variable component comprising an annual executive performance incentive and long-term incentives in terms of Kumba's Bonus Share Plan and Long-Term Incentive Plan. Both fixed and variable components are designed to ensure that a substantial portion of the remuneration package is linked to the achievement of the group's strategic objectives thereby aligning incentives awarded to improving shareholder value.

A portion of the approved cash salary and of the annual performance incentive elements of the Chief Executive Officer and Chief Financial Officer, Mr CI Griffith and Mr VP Uren's, remuneration are determined and paid in terms of separate employment agreements concluded between Kumba International Trading SA (KITSA) and the respective executive director for services rendered outside South Africa. The remuneration paid by KITSA is calculated with reference to the time spent by the director on services performed offshore.

Fixed remuneration

Following established practice, the fixed salaries of executive directors are reviewed annually in January. Adjustments to the fixed packages are determined with reference to the scope and nature of an individual's role and his performance and experience. The fixed packages are also compared with the median pay levels of other South African companies of comparable size and complexity, to ensure market competitiveness and performance excellence. The review also takes into account any change in the scope of the role performed by the individual, changes required to meet the principles of the remuneration policy and market competitiveness. Reward benchmarking is conducted bi-annually whereby reward elements are compared with peer mining companies.

In addition to a basic cash salary, executive directors receive benefits that include a contribution towards membership of one of the group's approved medical healthcare schemes, vehicle benefits, vehicle insurance and security services. There are no other material benefits paid.

Retirement and risk benefits, including life cover and death-in-service benefits, are provided to executive directors subject to the rules of the Kumba Selector Pension and Provident Funds. During the year, contributions calculated as a percentage of the pensionable income are paid to contributory retirement schemes established and/or approved by the group and subject to the rules of the pension and provident funds. Employer retirement contribution is 9.5% of cost to company. The rate of contribution for each executive director is calculated on the basis of the assumption that executive directors will retire at the age of 60 years.

The basic salaries payable to the executive directors for the 2009 and 2010 financial year and proposed 2011 basic salaries are set out in the table below:

R'000	**2011 Basic salary[1]**	2010 Basic salary[2]	2009 Basic salary[2]
CI Griffith	**4 235**	3 953	3 085
VP Uren	**3 506**	3 197	2 771

1 *Included in salary above is EUR49 007 to CI Griffith and US$46 688 paid to VP Uren by KITSA in respect of services to be rendered as directors in 2011.*

2 *Included in salary above is R221 639 (2009: Rnil) paid to CI Griffith and R320 016 (2009: R416 514) paid to VP Uren by KITSA in respect of services rendered as director.*

Annual performance incentives

In addition to fixed remuneration, each executive director participates in an executive performance incentive scheme, the Bonus Share Plan (the BSP). This incentive scheme is designed to reward and motivate the achievement of agreed group financial, strategic and performance objectives, each linked to the key performance areas of their respective portfolios.

Cash awards under the BSP are determined annually, based on performance in the previous financial year. Performance of the group is assessed on various financial, business and strategic performance criteria and metrics, targeting EBIT and ROCE. For executive directors' cash awards, 50% will reflect the extent to which the company achieved its financial targets in 2010. The balance of the cash awards is determined by the extent to which certain personal, strategic and other performance objectives were achieved by each executive director in 2010. Maximum earnings potential is set at 60% of annual BEC.

The performance targets for executive directors within the various Kumba businesses will vary depending on business-specific strategic value drivers and key objectives as approved by the board. Focused value drivers derived from group business objectives include targets agreed for growth, safety and employment equity to ensure continued focus on these important business objectives.

For 2010 the Chief Executive Officer's performance targets consisted of 50% financial targets, 10% safety targets, 15% production and sales targets, 15% strategic initiatives and project targets, 5% cost targets and 5% employment equity targets.

On 9 February 2010, the remuneration committee considered an overall assessment of the financial performance of the group for the 2009 financial year and considered the personal performances of the participants in this executive performance incentive scheme, against the agreed group financial targets and the levels of achievement against their strategic and other key performance objectives within their respective areas of accountability and the remuneration committee reported the outcomes to the board. The annual incentives for the 2009 financial year were approved by the board at its meeting of 9 February 2010.

The group's EBIT target is set at budgeted levels, with an entry threshold at 95% and maximum payout at 110%. The group's ROCE target is set at budgeted levels, with an entry threshold at 30% and maximum payout at 100%.

Long-term incentive plans

Executive directors and executive management participate in one or more of the long-term incentive schemes described below as proposed by the remuneration committee and approved by the board:

1. New schemes
   a. The Bonus Share Plan
   b. The Long-Term Incentive Plan
   c. The Share Appreciation Rights Scheme (no new grants will be made)
   d. The Deferred Bonus Plan (no new grants will be made)
2. Old schemes transferred to Kumba post unbundling
   a. Kumba Management Share Option Scheme (no grants awarded since unbundling)
   b. Phantom Share Scheme (no grants awarded since unbundling)

The Bonus Share Plan for executive directors and senior employees was implemented during 2009. The adoption and implementation of the scheme was approved by shareholders at the annual general meeting (AGM) on 20 March 2009.

New schemes – adopted post the unbundling

The Bonus Share Plan (the BSP) (currently in use)

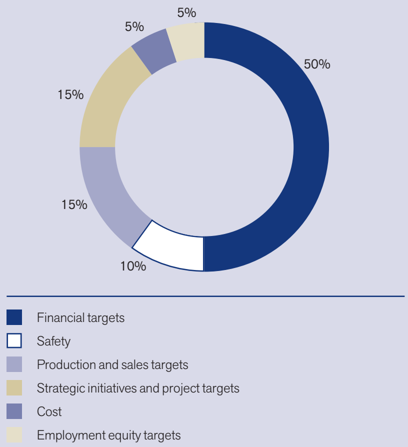
The BSP was approved by shareholders at the annual AGM on 20 March 2009 and was implemented in 2009. The BSP is offered to directors and senior managers who have the opportunity and the responsibility to contribute towards the group's overall strategic objectives.

Executive BSP cash awards

50% FINANCIAL TARGETS
EBIT AND ROCE

50% PERSONAL, STRATEGIC AND OTHER PERFORMANCE OBJECTIVES

2010 | **CHIEF EXECUTIVE OFFICER'S PERFORMANCE TARGETS** (%)



EBIT target

ENTRY THRESHOLD OF BUDGET	95%
MAXIMUM PAYOUT	110%

ROCE target

ENTRY THRESHOLD OF BUDGET	30%
MAXIMUM PAYOUT	100%

The BSP (currently in use) continued

The rationale for implementing the BSP scheme was to:

- Provide a mechanism for wealth creation for participants that is united to wealth creation for the group's shareholders;
- Strengthen the performance culture and provide a direct link between annual performance objectives and share-based incentives;
- Encourage participants to build up a shareholding in the company and thus increase the alignment of employees' interests with shareholders; and
- To increase the effectiveness of the overall remuneration and to enable the company to attract, motivate and retain key management talent.

The BSP has two components:

- A payment of an annual cash bonus, more fully described in annual performance incentives above; and
- A forfeitable award of shares linked to the participant's annual cash bonus award - these are known as bonus shares. The split between the cash and bonus share element is determined with reference to the employees' grade.

The number of bonus shares awarded is determined with reference to the value of the annual cash bonus awarded to each participant. The bonus shares are held by an escrow agent and released to the participant three years after the award date (conditional upon the participant still being in the employment of the Kumba group). During the three-year period, the participant is entitled to all rights attaching to the bonus shares, including dividend entitlements and voting rights. There are no performance conditions linked to the bonus shares.

The Long-Term Incentive Plan (the LTIP) (currently in use)

Executive directors (and, before 2009, senior management) may, each year, receive on a discretionary basis a conditional award of Kumba shares. Conditional shares are awarded at 100% of annual BEC at the face value of the underlying Kumba share.

Any vesting of each of the annual LTIP awards made since the inception of the plan in 2007 is subject to the achievement of stretch performance targets relating to total shareholder return (TSR) (50% of the award) and to a financial measure (the ROCE) (50% of the award), over a fixed three-year period. No retesting of the performance conditions is allowed.

The part of the share award that will vest subject to the TSR performance condition is determined to the extent that the company's TSR performance reaches certain hurdles relative to the TSR of an agreed peer group over the same three-year performance period.

100% of the award will vest should TSR/ROCE performance be in the upper quartile as measured against peer group, while 30% will vest should TSR/ROCE performance be at the median of peer group performances. There will be linear vesting for a TSR/ROCE performance between the mean and the upper quartile of the peer group performances. No vesting will occur if TSR/ROCE performance is below the median.

Upon vesting the participant will be entitled to shares in Kumba to the value of the vested portion of the conditional award. Such portion of the conditional awards which does not vest at the end of the three-year period will lapse without retesting.

The Share Appreciation Rights Scheme (the SARS) (no longer in use)

Executive directors and executive management have received two annual grants of share appreciation rights (SAR), which are rights to receive Kumba shares equal to the value of the difference between the market value of a Kumba share on the day immediately preceding the date of exercise (exercise price) of the right and market value of the Kumba share on the day immediately preceding the date of grant of the right (grant price).

The vesting of the rights is subject to specific performance conditions. The duration and specific nature of the conditions as determined by the remuneration committee of Kumba are stated in the letter of grant for each annual grant. The measurement of the performance conditions will be tested after three years.

Retesting of the performance condition is permitted on the first and second anniversary of the end of the performance period. After vesting, the rights will become exercisable. Rights not exercised within seven years of grant date, will lapse.

The vesting of a SAR is subject to the performance condition of headline earnings per share (HEPS) to increase with CPI + 6% over the three-year period from grant date. If the condition is not met, retesting of the condition from the fixed base year in year four and year five against HEPS targets of CPI + 8% and CPI + 10% are permitted.

With the implementation of the BSP in 2009 no further rights will be granted under the scheme. The last rights were granted in 2008.

The Deferred Bonus Plan (no longer in use)

The purpose of the plan is to encourage executive directors and senior management to utilise part of their after tax short-term incentive payment for the purpose of acquiring shares (pledged shares) in Kumba. Participants who own pledged shares are entitled to all rights in respect of these shares including dividend and voting rights. If the pledged shares are held for the pledge period (usually three years) and the participants remain in the employ of the company for the pledge period, then the company will provide a matching award of free shares (matching shares). Executive directors and executive management first participated in this plan from 2009.

With the implementation of the BSP in 2009 no pledged shares will be granted under the scheme in future.

Old schemes transferred to Kumba post-unbundling (no longer in use)

Kumba Management Share Option Scheme

Prior to the unbundling of the then Kumba Resources Limited (Kumba Resources) senior employees participated in the Kumba Resources Management Share Option Scheme. The Management Share Option Scheme was adopted by the group post-unbundling subject to certain amendments that were made to the Kumba Resources Management Share Option Scheme. As a result the executive employees and directors that participated in the Kumba Resources Management Share Option Scheme subsequently became participants of the new Kumba Iron Ore Management Share Option Scheme.

From the date of the unbundling, no rights in terms of the Kumba Management Share Option Scheme have been granted. Subsequent to the secondment of EJ Myburgh during 2008 to South Africa's national electricity supplier, Eskom, no executive directors currently participate in the scheme.

Phantom Share Scheme

As a result of restrictions related to the empowerment transaction of Kumba Resources, certain executive directors and senior employees who participated in the Kumba Resources Management Share Option Scheme were not able to receive certain grants of options which would have been made in the ordinary course of operations.

From the date of the unbundling, no rights in terms of the Phantom Share Scheme have been granted.

At 31 December 2010, no phantom share options were held by Kumba employees. During 2010 the remaining 9 900 share options were exercised at a volume weighted average price of R428.28 (2009: Rnil). No new options have been granted to management or to senior staff following unbundling.

Executive directors' remuneration

Executive directors' remuneration for the year was as below:

R'000	Basic salary	Short-term incentive[1]	Retirement funding	Other benefits[2]	**Total 2010**	Total 2009
CI Griffith[3]	3 953	2 052	447	43	**6 495**	4 398
VP Uren[3]	3 197	1 638	382	38	**5 255**	4 531
Total	**7 150**	**3 690**	**829**	**81**	**11 750**	**8 929**

1 Short-term incentives awarded, based on the group results for the 2009 financial year and includes offshore bonus accrued to Mr VP Uren of R165 262 (US$22 611) by KITSA for overseas services.

2 Includes the encashment of leave accrued by Mr CI Griffith of R20 510 and reimbursed expenses of R10 576 paid to Mr VP Uren.

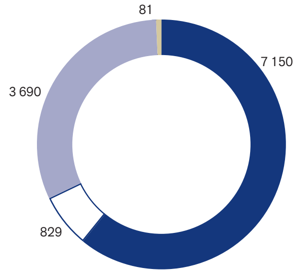
3 Included in basic salary above is salary paid to Mr CI Griffith and Mr VP Uren by KITSA in respect of services rendered overseas to that company in 2010.

The table below sets out the short-term incentives paid during 2010. The short-term incentives awarded are based on performance in the 2009 financial year and calculated as a percentage of basic employment cost approved for the pay cycle.

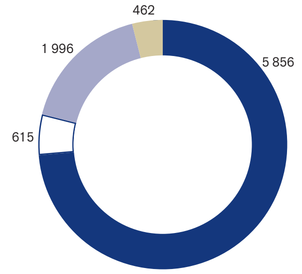
R'000	2009 Total fixed remuneration	2009 BEC used for calculating incentive	**2010 Annual incentive paid**	Annual incentive as a percentage of 2009 total fixed remuneration
CI Griffith[1]	3 652	3 085	**2 052**	56% (66% of BEC)
VP Uren	3 281	2 771	**1 638**	50% (59% of BEC)

1 The 2010 incentive paid is more than 60% of the 2009 BEC due to a remuneration adjustment in the second half of 2009.

2010 **EXECUTIVE DIRECTORS' REMUNERATION** (R'000)



2009 **EXECUTIVE DIRECTORS' REMUNERATION** (R'000)



Basic salary
Retirement funding
Short-term incentive
Other

READ MORE

Note 22 Equity-settled share-based payment reserve page 57

Executive directors' service contracts

Executive directors are not employed on fixed-term contracts and have standard employment service agreements with notice periods of up to 12 months (6 months for VP Uren). No restraint of trade provisions apply and no restraint payments have been made during the year. There are no changes of control provisions or any provisions relating to payment on termination of employment.

	Employment date[1]	Date first appointed to the board
CI Griffith	1 July 2009	1 July 2009
VP Uren	7 April 2006	7 April 2006

1 *In terms of the board charter, the termination of an employment contract of an executive director will result ipso facto in the termination of his membership of the board, unless the board determines otherwise.*

Non-executive directors' fees

The remuneration committee recommends fees payable to the non-executive directors for approval by the shareholders. The annual fees payable to non-executive directors for the period commencing 1 January 2010 were approved by the shareholders at the AGM of members of 20 March 2010. Fees are approved for an annual period commencing on 1 January each year. The revised fees of the non-executive directors will be submitted to the shareholders for approval at the next AGM on 6 May 2011.

Board meeting fees are set annually by referring to market benchmark information provided by an independent external service provider and approved at the AGM. These fees are not dependent upon attendance of meetings. Though other supplementary fees are payable a recommendation has been made to the shareholders to approve additional remuneration for the additional meetings held during 2010. Non-executive directors do not participate in any of the company's incentive schemes.

Non-executive directors' fees approved for 2010 were as follows:

	January to December 2010	
Board/Committee	Member R'000	Chairman R'000
Chairman of the Kumba board		1 100
Kumba board	165	
Audit committee	109	184
Other board committees	73 or 70	147

Non-executive directors' fees paid for 2010 were as follows:

R'000	Board meeting fees	Committee fees	**Total 2010**	Total 2009
PL Zim	1 100	–	**1 100**	1 000
ZBM Bassa	165	331	**496**	376
GS Gouws[1]	165	–	**165**	150
GG Gomwe[1]	124	–	**124**	–
DD Mokgatle	165	326	**491**	385
DM Weston[1]	165	–	**165**	–
AJ Morgan	165	399	**564**	452
PB Matlare	165	146	**311**	284
PM Baum[1]	–	–	**–**	217
ND Moyo	–	–	**–**	251
Total			**3 416**	**3 115**

1 *Fees paid to their respective employers and not to the individuals.*

Non-executive directors are subject to retirement by rotation and re-election by shareholders in accordance with the terms of the articles of association of the company.

Executive committee members' remuneration

The fixed remuneration of members of the executive committee other than executive directors was reviewed by the remuneration committee at its meeting held on 11 November 2010. The fixed salaries were compared with the median pay levels of other South African mining companies, based on the scope and nature of each individual's role and his or her performance and experience.

As is the case with the executive directors, the members of the group executive committee participate in the BSP.

The aggregate remuneration of members of the executive committee (excluding that of the executive directors disclosed separately above) for the year was as follows:

R'000	Basic salary	Annual short-term Incentives	Retirement funding	Other benefits[1]	**Total 2010**	Total 2009
Aggregate total	11 106	5 080	1 163	1 620	**18 969**	19 557
Number of members[2]					**8**	**8**

1 *Includes the encashment of leave accrued, housing subsidy and relocation allowance.*

2 *E Leeka resigned on 3 September 2010 and CC Holtzhausen was appointed as General Manager at Thabazimbi Mine on 1 December 2010.*

Long-term incentive plans: Interests of executive directors and the executive committee

The interests of the executive directors and of the executive committee in shares of the company granted in terms of the various long-term incentive plans are shown in the tables that follow.

No variations have been made to the terms and conditions of the schemes during the year, including the performance conditions to which the granting and vesting of the options, rights and conditional awards are subject.

The Bonus Share Plan

	Number					Rand	Share-based payment expense	
	Balance at beginning of year	Bonus shares awarded	Shares forfeited	**Balance at end of year**	Vesting date	Weighted average exercise price	**2010 R'000**	2009 R'000
Executive directors								
CI Griffith	7 328	7 679	–	**15 007**		–	**1 084**	264
				7 328	31 Mar 2012			
				7 679	1 Mar 2013			
VP Uren	9 528	6 203	–	**15 731**		–	**1 080**	344
				9 528	31 Mar 2012			
				6 203	1 Mar 2013			
Total	**16 856**	**13 882**	**–**	**30 738**		–	**2 164**	**608**
Executive committee members	47 699*	46 074	(10 066)	**83 707**		–	**6 248**	1 406

The Long-Term Incentive Plan

	Number					Rand	Share-based payment expense	
	Balance at beginning of year	Conditional awards granted/ (forfeited)	Conditional awards vested	**Balance at end of year**	Vesting date	Weighted average exercise price	**2010 R'000**	2009 R'000
Executive directors								
CI Griffith	26 134	11 374	–	**37 508**		–	**2 185**	720
				7 548	1 Aug 2011			
				18 586	1 Apr 2012			
				11 374	2 Mar 2013			
VP Uren	32 673	9 188	(10 575)[1]	**31 286**		–	**1 788**	1 084
				5 240	3 Mar 2011			
				16 858	1 Apr 2012			
				9 188	2 Mar 2013			
Total	**58 807**	**20 562**	**(10 575)**	**68 794**		**–**	**3 973**	**1 804**
Executive committee members	31 104*	(1 486)	(14 696)[1]	**14 922**		–	**1 592**	1 019

1 A total of 25 271 conditional share awards vested during the year 1 January to 31 December on which a gain of R9 039 373 was realised.

The Share Appreciation Rights Scheme

	Number					Rand	Share-based payment expense	
	Balance at beginning of year	Rights exercised	Rights forfeited	**Balance at end of year**	Vesting date	Weighted average exercise price	**2010 R'000**	2009 R'000
Executive directors								
CI Griffith	7 540	–	–	**7 540**	1 Aug 2011	259.87	**243**	227
VP Uren	16 154	(5 000)[1]	–	**11 154**		235.98	**169**	315
				4 990	1 Mar 2010			
				540	1 Dec 2010			
				5 624	3 Mar 2011			
Total	**23 694**	**(5 000)**	**–**	**18 694**		**233.14**	**412**	**542**
Executive committee members	32 830*	(13 344)[1]	(1 480)	**18 006**		302.46	**890**	944

1 A total of 18 344 share appreciation rights with a weighted average exercise price of R132.78 were exercised during the year 1 January to 31 December 2010 on which a gain of R3 209 081 was realised.

** The differences in the balances at the beginning of the year to what was previously disclosed for Bonus Share Plan, Long-term Incentive Plan and Share Appreciation Rights Scheme are due to changes in the composition of the executive committee.*

The Deferred Bonus Plan

	Number					Rand	Share-based payment expense	
	Balance at beginning of year	Pledged shares granted	Pledged shares exercised	**Balance at end of year**	Vesting date	Weighted average exercise price	**2010 R'000**	2009 R'000
Executive directors								
VP Uren	648	–	–	**648**	31 Mar 2011	–	**–**	62
Total	**648**	**–**	**–**	**648**		**–**	**–**	**62**
Executive committee members	–	–	–	**–**		–	**–**	–

Kumba Management Share Option Scheme

	Number				Rand	Share-based payment expense	
	Balance at beginning of year	Share options exercised	Share options forfeited	**Balance at end of year**	Weighted average exercise price	**2010 R'000**	2009 R'000
Executive committee members	19 920	(9 960)[1]	–	**9 960**	68.53	**59**	179

1 *9 960 share options with a weighted average exercise price of R68 per share were exercised during the year 1 January to 31 December 2010 on which a gain of R2 823 504 was realised.*

Anglo American plc: Group long-term incentive schemes

CI Griffith retained awards granted whilst he was a participant in certain Anglo American plc Group long-term incentive schemes. CI Griffith no longer receives awards under these schemes.

As at 31 December 2010 the following awards under the Anglo Platinum long-term incentives schemes were held by CI Griffith:

	Number	Rand
	Balance at beginning and end of year	Weighted average exercise price
Anglo Platinum Executive Share Appreciation Scheme	8	211.05
Anglo Platinum Executive Share Option Scheme	2 987	633.73

DIRECTORS' BENEFICIAL INTEREST IN KUMBA

The aggregate beneficial interest in Kumba at 31 December 2010 of the directors of the company and their immediate families (none of which has a holding greater than 1%) in the issued shares of the company are detailed below. Except as disclosed below, there have been no material changes in these shareholdings since that date.

	2010			2009		
	Number of shares	**Long-term incentive schemes[1]**	**Total beneficial interest**	Number of shares	Long-term incentive schemes[1]	Total beneficial interest
Executive directors						
CI Griffith	**330**	**60 055**	**60 385**	330	41 002	41 332
VP Uren[2]	**11 200**	**58 819**	**70 019**	5 000	59 003	64 003
Total	**11 530**	**118 874**	**130 404**	**5 330**	**100 005**	**105 335**

1 *Granted under the Bonus Share Plan, Long-Term Incentive Plan, Share Appreciation Rights Scheme and Deferred Bonus Plan as disclosed in the tables above.*

2 *VP Uren disposed of 9 116 shares subsequent to 31 December 2010.*

1. GENERAL INFORMATION

Kumba is the holding company of the Kumba group. Kumba is a mining group of companies focusing on the exploration, extraction, beneficiation, marketing, sale and shipping of iron ore. Kumba produces iron ore at Sishen Mine in the Northern Cape Province and at Thabazimbi Mine in the Limpopo Province, and is currently developing a new mine, Kolomela Mine, also in the Northern Cape Province.

Kumba is a public company which is listed on the JSE and is incorporated and domiciled in the Republic of South Africa.

2. BASIS OF PREPARATION

2.1 Accounting framework

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretation Committee (IFRIC) interpretations of those standards, the South African Companies Act No 61 of 1973, as amended, the Listings Requirements of the JSE, and the AC 500 standards as issued by the Accounting Practices Board (APB).

The financial statements have been prepared in accordance with the historical cost convention except for certain financial instruments, biological assets and share-based payments which are measured at fair value. The consolidated financial statements are prepared on the basis that the group will continue to be a going concern. These accounting policies are consistently applied throughout the group.

The following principal accounting policies and methods of computation were applied by the company and the group in the preparation of the consolidated and stand-alone financial statements for the financial year ended 31 December 2010. Except as disclosed below, these accounting policies are consistent in all material respects with those applied for the year ended 31 December 2009.

2.2 Statement of compliance

2.2.1 Adoption of amendments to existing accounting standards

The following amendments and revisions to issued accounting standards which are relevant to the group were adopted and are effective from 1 January 2010:

Conceptual Framework for Financial Reporting 2010

The Conceptual Framework for Financial Reporting 2010 was issued in September 2010 with no stated effective date and it was therefore effective from the date of issue. It replaced the Framework for the Preparation and Presentation of Financial Statements previously in issue and did not have a significant impact on the reported results for the year ended 31 December 2010.

IFRS 2, Share-based Payment (amendment)

In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and Treasury Share Transactions' into the standard, the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The amended standard provides that an entity receiving goods or services in a share-based payment transaction that is settled by any other entity in the group or any shareholder of such an entity in cash or other assets is now required to recognise the goods or services received in its financial statements.

The amendment did not affect the classification of share-based payments in the consolidated financial statements, but has an impact on the classification of share-based payments in the stand-alone accounts of its subsidiary, SIOC, with a consequential impact on the non-controlling interest reported in the consolidated financial statements.

The amendments to the standard have been applied retrospectively to all employee share incentive schemes outstanding at the reporting date. The effect on headline earnings per share was an increase of 9.4 cents and 4.6 cents for the years ended 31 December 2010 and 2009 respectively.

The effect on earnings and equity is disclosed in the table below:

	Audited 31 Dec 2010 Rm	Restated 31 Dec 2009 Rm
Decrease in earnings attributable to non-controlling interests for the period	29	15
Increase in earnings attributable to the owners of Kumba for the period	29	15
Cumulative decrease in total non-controlling interests disclosed in equity	67	26
Cumulative increase in equity-settled share-based payment reserve disclosed in equity	24	11
Cumulative increase in retained earnings disclosed in equity	43	15
Increase in opening non-controlling interests disclosed in equity	–	2
Decrease in opening retained earnings disclosed in equity	–	2

Annual Improvements Project 2008 and 2009

As part of its Annual Improvements Project, the International Accounting Standards Board (IASB) issued a single amendment in the 'Improvements to International Financial Reporting Standards 2008' and 15 amendments in the 'Improvements to International Financial Reporting Standards 2009' to various issued accounting standards, effective for the reporting period commencing 1 January 2010.

These amendments consist of various necessary, but non-urgent, amendments to issued accounting standards and interpretations that will not be part of another major project of the IASB. The amendments include changes in presentation, recognition and measurement plus terminology and editorial changes. Kumba adopted these amendments in 2010, the application of which has not had an effect on the reported results, with the exception of the amendment to IAS 7, 'Statement of Cash Flows (amendment)' noted below.

IAS 7, Statement of Cash Flows (amendment)

The guidance provided in IAS 7 has been amended to clarify that only expenditure that results in a recognised asset in the balance sheet can be classified as a cash flow from investing activities. This amendment is effective prospectively for the reporting period commencing 1 January 2010.

2.2 Statement of compliance continued

Consequently, to the extent that no corresponding asset(s) has been recognised, the translation effects of cash flows of foreign operations previously disclosed in the line item 'Translation effects of cash flows of foreign operations' as part of cash flows from investing activities in the group cash flow statement, has been reallocated to cash flows from operating activities as well as to the new line item 'Exchange differences on translation of cash and cash equivalents' included on the face of the group cash flow statement for the year ended 31 December 2010.

IAS 27 (revised), Consolidated and Separate Financial Statements (effective from 1 July 2009)

The group applied IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains or losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

This has resulted in a change in the group's accounting policies for changes in ownership interests in subsidiaries, specifically where those changes do not result in loss of control.

In prior years, the group applied a policy of treating all transactions with non-controlling interests as transactions with parties external to the group. That is, disposals to non-controlling interests resulted in gains and losses for the group that were recognised in the income statement and purchases from non-controlling interests resulted in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary. Under IAS 27 (revised), all such increases or decreases that do not result in loss of control are dealt with in equity, with no impact on goodwill or profit or loss.

These changes in accounting policies have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

The adoption of the revised Standard impacted upon the accounting for the deconsolidation of the SIOC Community Development SPV, as this transaction resulted in an increase in the non-controlling interest in SIOC. This transaction resulted in an increase of R301 million in non-controlling interests with a corresponding decrease in equity attributed to the owners of Kumba as detailed in note 29.

IFRS 3 (revised), Business Combinations

Consequential amendments to IAS 27, Consolidated and Separate Financial Statements; IAS 28, Investments in Associates; and IAS 31, Interests in Joint Ventures (effective from 1 July 2009)

IFRS 3 (revised) has been issued after completion of the IASB's second phase of its business combinations project and is now largely aligned with US accounting. The comprehensively revised standard continues to apply the acquisition method to business combinations, with some significant changes. The group will apply IFRS 3 (revised) prospectively to all business combinations from 1 January 2010; however the revision had no impact on the current year's accounting policies, methods of computation or presentation applied by the group.

Other

A number of other amendments to accounting standards and interpretations issued by the IASB were applicable for annual periods beginning on or after 1 January 2010 and have consequently been adopted. They have not had a material impact on the accounting policies, methods of computation or presentation applied by the group.

2.2.2 New accounting standards and interpretations not yet adopted

At balance sheet date, the following new standard, revision and amendments to issued accounting standards and interpretations, which are relevant to the group but not yet effective, have not been adopted by the group:

IFRS 9, Financial Instruments: Classification and Measurement

IFRS 9 is the first step in the process to replace IAS 39, 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets, financial liabilities, derecognition and hedge accounting. The standard is not applicable until 1 January 2013 but is available for early adoption.

IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 to be subsequently measured at amortised cost or fair value. With regards financial liabilities, the accounting for changes in the fair value of a financial liability that is designated as at fair value through profit or loss and are attributable to changes in the credit risk of that liability are recognised in comprehensive income, unless it creates or enlarges an accounting mismatch in profit or loss.

IFRS 9 is likely to be adopted in the group's consolidated financial statements for the annual period beginning 1 January 2013. It is anticipated that the application of the new standard will not have a significant impact on amounts reported in respect of the groups' financial assets and financial liabilities as the majority of financial assets and financial liabilities are carried at amortised cost as disclosed out in note 31. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IAS 24 (revised), Related party disclosures

IAS 24 (revised) clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It is mandatory for periods beginning on or after 1 January 2011.

The group will apply the revised standard from 1 January 2011. When the revised standard is applied, the group and the parent will need to disclose any transactions between its subsidiaries and its associates. The group is currently evaluating the impact on its systems and processes and it is therefore not possible at this stage to disclose the impact, if any, of the revised standard on the related party disclosures.

Annual Improvements Project 2010

In May 2010, the IASB issued the 'Improvements to International Financial Reporting Standards 2010'. The standard includes 11 amendments to various issued accounting standards. These amendments consist of various necessary, but non-urgent, amendments to issued accounting standards and interpretations that will not be part of another major project of the board. Most of these amendments are effective for annual periods beginning on or after 1 January 2011.

The group is in the process of evaluating the detailed requirements of the amendments; however these amendments are not expected to have a significant impact on the group's financial statements with the exception of the amendments to IFRS 7. These amendments clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. This will reduce the level of disclosure currently provided in respect of the group's trade receivables.

Amendment to IFRS 7, Financial Instruments: Disclosures

The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. The amendment is effective for periods beginning on or after 1 July 2011.

It is not anticipated that these amendments will have a significant effect on the group's disclosures. However, if the group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

Amendment to IAS 12, Income Taxes on Deferred Tax

The amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income Taxes – Recovery of Revalued Non-Depreciable Assets', would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn. The amendment is effective for periods beginning on or after 1 January 2012.

It is not expected that this amendment will have any impact on the group's financial statements as the group does not have any investment properties at present.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. Under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss. The interpretation is effective for periods beginning on or after 1 July 2010.

It is not expected that the IFRIC will have any impact on the group's financial statements.

Other

A number of other amendments to accounting standards and interpretations issued by the IASB are effective for annual periods beginning on or after 1 January 2011. They are not expected to have an impact on the accounting policies, methods of computation or presentation applied by the group.

Reporting framework

IFRS AND IFRIC INTERPRETATIONS

SOUTH AFRICA COMPANIES ACT

JSE LISTINGS REQUIREMENTS

AC 500 STANDARDS ISSUED BY APB

Historical cost

EXCEPT AT FAIR VALUE:

- FAIR VALUE THROUGH PROFIT OR LOSS FINANCIAL INSTRUMENTS
- BIOLOGICAL ASSETS
- SHARE-BASED PAYMENTS

Key amendments adopted

CONCEPTUAL FRAMEWORK FOR FINANCIAL REPORTING 2010

IFRS 2, SHARE-BASED PAYMENT

IAS 7 STATEMENT OF CASH FLOWS

IAS 27, (REVISED), CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

READ MORE

Cash flow statement		page 45
Note 22	Equity-settled share-based payment reserve	page 57
Note 29	Change in ownership: Deconsolidation of SIOC Community Development SPV	page 64

2.3 Foreign currencies

Items included in the financial results of each group entity are measured using the functional currency of that entity. The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The consolidated financial results are presented in Rand, which is Kumba's functional and the group's presentation currency.

Foreign currency transactions

Transactions are translated into the functional currency of an entity at the rate of exchange ruling at the transaction date.

Monetary assets and liabilities that are denominated in foreign currencies are translated into the functional currency of an entity at the rate of exchange ruling at the balance sheet date.

Foreign exchange gains and losses arising on translation are recognised in the income statement, except where they relate to cash flow hedging activities in which case they are recognised in the statement of changes in equity.

Foreign operations

The financial results of all entities that have a functional currency different from the presentation currency of their parent entity are translated into the presentation currency.

All assets and liabilities, including fair value adjustments arising on acquisitions, are translated at the rate of exchange ruling at the balance sheet date. Income and expenditure transactions of foreign operations are translated at the average rate of exchange. Resulting foreign exchange gains and losses arising on translation are recognised in the foreign currency translation reserve (FCTR) as a separate component of equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and/or liabilities of the foreign entity and translated at the closing rate.

On disposal of part or all of the investment, the proportionate share of the related cumulative gains and losses previously recognised in the foreign currency translation reserve in the statement of changes in equity are recognised in the income statement on disposal of that investment.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Kumba executive committee.

Management has determined the operating segments of the group based on the reports reviewed by the executive committee that are used to make strategic decisions. The executive committee considers the business principally according to the nature of the products and service provided, with the segment representing a strategic business unit. The reportable operating segments derive their revenue primarily from mining, extraction, production and selling of iron ore and shipping operations charged to external clients.

2.5 Post-balance sheet events

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date. Events after the balance sheet that are indicative of conditions that arose after the balance sheet date are dealt with by way of a note.

2.6 Comparative figures

Comparative figures are restated in the event of a change in accounting policy.

3. COMPANY FINANCIAL STATEMENTS

Subsidiaries, associates and joint ventures

Investments in subsidiaries, associates and joint ventures in the separate financial statements presented by Kumba are recognised at cost less accumulated impairment.

4. CONSOLIDATED FINANCIAL STATEMENTS

4.1 Basis of consolidation

The consolidated financial statements present the financial position and changes therein, operating results and cash flow information of the group. The group comprises Kumba, its subsidiaries and interests in joint ventures and associates.

Where necessary, adjustments are made to the results of subsidiaries, joint ventures and associates to ensure the consistency of their accounting policies with those used by the group.

Intercompany transactions, balances and unrealised profits and losses between group companies are eliminated on consolidation. In respect of joint ventures and associates, unrealised profits and losses are eliminated to the extent of the group's interest in these entities. Unrealised profits and losses arising from transactions with associates are eliminated against the investment in the associate.

Subsidiaries

Subsidiaries are those entities (including special purpose entities) over which the group has the power to exercise control. Control is achieved where the group has the ability, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Non-controlling interests

The effects of transactions with non-controlling interests are recorded in equity as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in comprehensive income are reclassified to profit or loss.

Associates

Associates are investments over which the group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Typically the group owns between 20% and 50% of the voting equity.

Investments in associates are accounted for using the equity method of accounting from the date on which significant influence commences until the date that significant influence ceases, and are initially recognised at cost.

Under this method the group's share of post-acquisition profits or losses of associates is recognised in the income statement as equity accounted earnings and its share of movements in post-acquisition equity reserves is recognised in the statement of changes in equity. All cumulative post-acquisition movements in the equity of associates are adjusted against the carrying value of the investment. When the group's share of losses in associates equals or exceeds its interest in those associates, the group does not recognise further losses, unless the group has incurred a legal or constructive obligation or made payments on behalf of those associates.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in comprehensive income are reclassified to profit or loss where appropriate.

Goodwill identified on acquisition relating to associates is included in the carrying value of those associates.

The total carrying value of associates, including goodwill, is evaluated annually for impairment or when conditions indicate that a decline in fair value below the carrying amount is other than temporary. If impaired, the carrying value of the group's share of the underlying net assets of associates is written down to its estimated recoverable amount in accordance with the accounting policy on impairment and recognised in the income statement as part of equity accounted earnings of those associates.

Results of associates are equity accounted from their most recent audited annual financial statements or unaudited interim financial statements.

Joint ventures

A joint venture is an economic entity in which the group holds a long-term interest and shares joint control over strategic, financial and operating decisions with one or more other venturers established under a contractual arrangement. It may involve a corporation, partnership or other entity in which the group has an interest.

The group's share of the assets, liabilities, income, expenditure and cash flows of joint ventures are accounted for using the proportionate consolidation method. The proportionate share of the financial results of joint ventures is consolidated into the consolidated financial statements from date on which joint control commences until such time as joint control ceases. Proportionate consolidation combines the group's share of the financial results of the joint venture on a line-by-line basis with similar items in the consolidated financial statements.

South African Rand

FUNCTIONAL AND PRESENTATION CURRENCY

Operating segments

REPORTED CONSISTENTLY WITH INTERNAL REPORTING TO KUMBA EXECUTIVE COMMITTEE

Subsidiaries

CONSOLIDATED

Non-controlling interest transactions

RECORDED IN EQUITY

Associates

EQUITY ACCOUNTED

Joint ventures

PROPORTIONATELY CONSOLIDATED

READ MORE

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Annexures 1 and 2 – Investments in subsidiaries, associates and joint ventures		page 80

BALANCE SHEET

4.2 Property, plant and equipment

Land and assets that are in the process of being constructed, which include capitalised development and mineral exploration and evaluation costs, are measured at cost less accumulated impairment and are not depreciated.

All other classes of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment.

The cost of an item of property, plant and equipment shall be recognised as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

The cost of items of property, plant and equipment include all costs incurred to bring the assets to the location and condition necessary for their intended use by the group. The cost of self-constructed assets includes expenditure on materials, direct labour and an allocated proportion of project overheads.

The cost of property, plant and equipment may also include:

- the estimated costs of decommissioning the assets and site rehabilitation costs to the extent that they relate to the asset;
- gains or losses on qualifying cash flow hedges attributable to that asset;
- capitalised borrowing costs; and
- capitalised preproduction expenditure and waste stripping costs.

The cost of items of property, plant and equipment is capitalised into its various components where the useful life of the components differ from the main item of property, plant and equipment to which the component can be logically assigned. Expenditure incurred to replace or modify a significant component of property, plant and equipment is capitalised and any remaining carrying value of the component replaced is written off as an expense in the income statement.

Subsequent expenditure on property, plant and equipment is capitalised only when the expenditure enhances the value or output of the asset beyond original expectations and it can be measured reliably.

Costs incurred on repairing and maintaining assets are recognised in the income statement in the period in which they are incurred.

Gains and losses on the disposal of property, plant and equipment, which are represented by the proceeds on disposal of such assets less their carrying values at that date, are recognised in the income statement.

Depreciation

Depreciation is charged on a systematic basis over the estimated useful lives of the assets after taking into account the estimated residual value of the assets. Depreciation commences on self-constructed assets when they are ready for their intended use by the group. The useful life of an asset is the period of time over which the asset is expected to be used (straight-line method of depreciation). The estimated useful lives of assets and their residual values are reassessed annually, with any changes in such accounting estimates being adjusted in the year of reassessment and applied prospectively.

The estimated useful lives of items of property, plant and equipment are:

Mineral properties	10 – 28 years
Residential buildings	5 – 28 years
Buildings and infrastructure	5 – 28 years
Mobile equipment, built-in process computers and reconditionable spares	2 – 28 years
Fixed plant and equipment	4 – 28 years
Loose tools and computer equipment	5 years
Mineral exploration, site preparation and development	5 – 28 years

Research, development, mineral exploration and evaluation costs

Research, development, mineral exploration and evaluation costs are expensed in the year in which they are incurred until they result in projects that the group:

- evaluate as being technically or commercially feasible;
- has sufficient resources to complete development; and
- can demonstrate will generate future economic benefits.

Once these criteria are met, all directly attributable development costs and ongoing mineral exploration and evaluation costs are capitalised within property, plant and equipment. Capitalisation of preproduction expenditure ceases when the mining property is capable of commercial production.

During the development of a mine, before production commences, stripping expenses are capitalised as part of the investment in construction of the mine.

Capitalised preproduction expenditure prior to commercial production is assessed for impairment in accordance with the group accounting policy stated below.

Waste stripping expenses

The removal of overburden or waste is required to obtain access to the ore body. To the extent that the actual stripping ratio is higher than the average life-of-mine (LOM) stripping ratio in the early years of a mine's production phase, the mining costs associated with this process are deferred and charged to operating costs using the expected average stripping ratio over the average life of the area being mined. The effect of this will therefore be that the cost of stripping in profit or loss will be reflective of the average stripping rates for the ore body as a whole. This reflects the fact that waste removal is necessary to gain access to the ore body and therefore realise future economic benefit.

The average life-of-mine stripping ratio is calculated as the number of tonnes of waste material expected to be removed during the life-of-mine, per tonne of ore mined. The average life-of-mine cost per tonne is calculated as the total expected mining costs to be incurred to mine the ore body divided by the number of tonnes expected to be mined. Where the pit profile is such that the actual stripping ratio is below the average life of mine stripping ratio in the early years no deferral takes place as this would result in recognition of a liability for which there is no obligation. Instead this position is monitored and when the cumulative calculation reflects a debit balance deferral commences.

4.3 Business combinations and goodwill

Business combinations

The purchase method of accounting is used when a business is acquired.

On acquisition date, fair values are attributed to the identifiable assets, liabilities and contingent liabilities. The non-controlling interest at acquisition date is determined as the non-controlling shareholders' proportionate share of the fair value of the net assets of subsidiaries acquired.

The cost of acquisition is measured as the fair value of the group's contribution to the business combination in the form of assets transferred, shares issued or liabilities assumed at the acquisition date plus all costs directly attributable to the acquisition.

Fair values of the identifiable assets and liabilities are determined by reference to market values of those or similar items at the acquisition date, irrespective of the extent of any non-controlling interests, where these values are available. Alternatively, these values are determined by discounting expected future cash flows to present values.

Goodwill

Goodwill is measured at cost less accumulated impairment, if any. Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the identifiable net assets of the acquired entity at the date of acquisition.

Goodwill is assessed for impairment on an annual basis. Once any impairment has occurred on a specific goodwill item, the impairment losses will not be reversed in future periods.

Negative goodwill arises when the cost of acquisition is less that the fair value of the net identifiable assets and contingent liabilities of the entity acquired. Negative goodwill is recognised directly in the income statement.

The gain or loss on disposal of an entity includes the balance of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination from which the goodwill arose identified according to operating segment.

4.4 Impairment of non-financial assets

The group's non-financial assets, other than inventories and deferred tax, are reviewed to determine whether there is any indication that those assets are impaired whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment. Recoverable amounts are estimated for individual assets. Where an individual asset cannot generate cash inflows independently, the assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). The recoverable amount is determined for the cash-generating unit to which the asset belongs.

The impairment loss recognised in the income statement is the excess of the carrying value over the recoverable amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

Property, plant and equipment

COST LESS ACCUMULATED DEPRECIATION AND/OR IMPAIRMENT

STRAIGHT-LINE DEPRECIATION OVER USEFUL LIFE

RESIDUAL VALUES REASSESSED ANNUALLY

Borrowing costs

CAPITALISED

Waste stripping costs

DEFERRED IF EXCEED AVERAGE LOM STRIPPING RATIO

Research, development, mineral exploration and evaluation costs

EXPENSED UNTIL PROJECTS ARE TECHNICALLY OR COMMERCIALLY FEASIBLE

Impairment of non-financial assets

ASSESSED WHEN IMPAIRMENT INDICATED

IMPAIR TO RECOVERABLE AMOUNT

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Note 1	Property, plant and equipment	page 46
Note 30	Acquisition of business	page 64

4.4 Impairment of non-financial assets continued

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. The discount rate reflects the current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount and an impairment loss is recognised in the income statement.

A previously recognised impairment will be reversed insofar as estimates change as a result of an event occurring after the impairment was recognised. An impairment is reversed only to the extent that the asset or cash-generating unit's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the income statement.

Exploration and evaluation assets are tested for impairment when development of the property commences or whenever facts and circumstances indicate impairment. An impairment is recognised for the amount by which the exploration assets' carrying amount exceeds their recoverable amount. For the purpose of assessing impairment, the relevant exploration and evaluation assets are included in the existing cash-generating units of producing properties that are located in the same region.

4.5 Biological assets

Biological assets are measured on initial recognition and at each balance sheet date at their fair value less estimated costs to sell, with these fair value adjustments recognised as income and expenditure in the income statement in the period in which they occur.

Biological assets comprise livestock and game. The fair value of livestock is determined based on market prices taking into account the age and size of the animals, on the basis that the animal is sold to be slaughtered. The fair value of game is the market price for the game, determined using auction selling prices achieved for live game.

Both livestock and game held for sale are classified as consumable biological assets.

4.6 Financial instruments

Purchases and sales of financial instruments are recognised on the trade date, being the date on which the group becomes party to the contractual provisions of the relevant instrument. The financial instruments are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, with the exception of at fair value through profit or loss assets which are initially recognised at fair value, and transaction costs are expensed in the income statement. The fair values are based on quoted bid prices or amounts derived using discounted cash flow models. Subsequent to initial recognition, the instruments are measured as set out below.

Financial assets (other than derivative financial instruments)

The group classifies all of its financial assets into the 'At fair value through profit or loss' (FVTPL) and 'Loans and receivables' categories. This classification is dependent on the purpose for which the financial asset is acquired. Management determines the classification of its financial assets at the time of the initial recognition and re-evaluates such designation annually.

FVTPL financial assets are financial assets that are designated by the group as at FVTPL on initial recognition. A financial asset is designated in this category if it is managed and its performance is evaluated on a fair-value basis, in accordance with documented risk management policies. Assets in this category are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The group's FVTPL financial assets comprise the equity linked deposits included in 'Investments held by environmental trust' in the balance sheet.

Financial assets at FVTPL are subsequently carried at fair value. Gains or losses arising from changes in the fair value of this category are presented in the income statement within 'Finance gains/(losses)' in the period in which they arise.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise cash elements of investments held by environmental trust, trade and other receivables (excluding prepayments) and cash and cash equivalents in the balance sheet.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Trade receivables

Trade receivables are amounts due from customers for iron ore sold or shipping services rendered in the ordinary course of business.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call and investments in money market instruments that are readily convertible to a known amount of cash, all of which are available for use by the group unless otherwise stated.

Impairment

Loans and receivables are assessed at each balance sheet date to determine whether objective evidence exists that a financial asset is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

To the extent that the carrying value of an individual or group of assets exceeds the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate of those assets, an impairment loss is recognised by way of an allowance account in the income statement.

An impairment is reversed when evidence exists that an impairment has decreased. The reversal does not result in the carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the income statement.

Derecognition: Financial assets

Financial assets are derecognised when the rights to receive cash flows from the assets have expired, the right to receive cash flows has been retained but an obligation to on-pay them in full without material delay has been assumed or the right to receive cash flows has been transferred together with substantially all the risks and rewards of ownership.

Financial liabilities (other than derivative financial instruments)

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. They are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current liabilities.

Financial liabilities comprise short-term and long-term interest-bearing borrowings and trade and other payables (excluding income received in advance).

Financial liabilities are subsequently carried at amortised cost using the effective interest method. Interest calculated using the effective interest rate method is recognised in profit or loss.

Borrowings

Borrowings comprise short-term and long-term interest-bearing borrowings. Premiums or discounts arising from the difference between the fair value of borrowings raised and the amount repayable at maturity date are recognised in the income statement as borrowing costs based on the effective interest rate method.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Derecognition: Financial liabilities

Financial liabilities are derecognised when the associated obligation has been discharged, cancelled or has expired.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities, and includes ordinary share capital.

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivative instruments are categorised as at FVTPL financial instruments held for trading and are classified as current assets or liabilities. All derivative instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value at balance sheet date. Resulting gains or losses on derivative instruments, excluding designated and effective hedging instruments, are recognised in the income statement.

Financial instruments

At fair value through profit or loss

- **DESIGNATED**
  EQUITY-LINKED DEPOSITS (INVESTMENTS HELD BY ENVIRONMENTAL TRUST)
- **HELD FOR TRADING**
  DERIVATIVE INSTRUMENTS (CURRENCY EXPOSURES)

  SOME OF WHICH ARE DESIGNATED AS CASH FLOW HEDGING INSTRUMENTS

Loans and receivables

- TRADE AND OTHER RECEIVABLES (EXCL VAT AND PREPAYMENTS)
- CASH AND CASH EQUIVALENTS

Financial liabilities

- INTEREST-BEARING BORROWINGS
- TRADE AND OTHER PAYABLES

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Note 8	Cash and cash equivalents	page 50
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Note 12	Trade and other payables	page 53
Note 31	Financial instruments	page 64

4.6 Financial instruments continued

The group's criteria for a derivative instrument to be designated as a hedging instrument require that:

- the hedge transaction is expected and assessed to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk;
- the effectiveness of the hedge can be reliably measured throughout the duration of the hedge;
- the hedging relationship is adequately documented at the inception of the hedge; and
- for cash flow hedges, the forecasted transaction that is the subject of the hedge is highly probable.

A derivative instrument is classified as a cash flow hedge when it is designated and qualifies as hedge of a particular risk associated with a recognised asset or liability or highly probable forecasted transaction.

The effective portion of any fair value gain or loss arising on such a derivative instrument is classified in comprehensive income as a cash flow hedge accounting reserve until the underlying transaction occurs. The ineffective part of any gain or loss is recognised immediately in the income statement within 'Finance gains/(losses)'.

If the forecasted transaction results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is transferred from the cash flow hedge accounting reserve and included in the initial measurement of the cost of the underlying asset or liability on the transaction date. For hedges that do not result in the recognition of a non-financial asset or liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects profits or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, revoked, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedge transaction is no longer expected to occur, the net cumulative gain or loss previously recognised in equity is included in the income statement within 'Finance gains/(losses)' for the period.

Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset and the net amount is reported in the balance sheet.

4.7 Inventories

Inventories, which comprise finished products, work-in-progress, plant spares and stores, raw material and merchandise, are measured at the lower of cost, determined on a weighted average basis, and net realisable value.

The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and fixed production overheads, but excludes finance costs. Fixed production overheads are allocated on the basis of normal capacity.

Plant spares and consumable stores are capitalised to the balance sheet and expensed to the income statement as they are utilised.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. Write-downs to net realisable value and inventory losses are expensed in the income statement in the period in which the write-downs or losses occur.

4.8 Share capital

Ordinary shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction there from, net of tax. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are included in the cost of acquisition as part of the purchase consideration.

4.9 Treasury shares

When the group acquires its own share capital, the amount of the consideration paid, including directly attributable costs, net of any related tax benefit, is recognised as a change in equity. Shares repurchased by the issuing entity are cancelled.

Shares repurchased by group entities are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued and weighted average number of shares, and the cost price of the shares is presented as a deduction from total equity. The par value of the shares is presented as a deduction from ordinary share capital and the remainder of the cost is presented as a deduction from ordinary share premium. Dividends received on treasury shares are eliminated on consolidation.

4.10 Dividends payable

Dividends payable and the related taxation thereon are recognised by the group when the dividend is declared. These dividends are recorded and disclosed as dividends in the statement of changes in equity. Secondary Taxation on Companies (STC) in respect of such dividends is recognised as a liability when the dividends are recognised as a liability and are included in the taxation charge in profit or loss.

Dividends proposed or declared subsequent to the balance sheet date are not recognised, but are disclosed in the notes to the consolidated financial statements.

4.11 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Environmental rehabilitation

Environmental rehabilitation provisions

The provision for environmental rehabilitation is recognised as and when an obligation to incur rehabilitation and mine closure costs arises from environmental disturbance caused by the development or ongoing production of a mining property. Estimated long-term environmental rehabilitation provisions are measured based on the group's environmental policy taking into account current technological, environmental and regulatory requirements. Any subsequent changes to the carrying amount of the provision resulting from changes to the assumptions applied in estimating the obligation are recognised in the income statement.

Contributions to rehabilitation trust

Annual contributions are made to a dedicated environmental rehabilitation trust to fund the estimated cost of rehabilitation during and at the end of the life of the group's mines. The group exercises full control over this trust and therefore the trust is consolidated. The trust's assets are recognised separately on the balance sheet as non-current assets at fair value. Interest earned on funds invested in the environmental rehabilitation trust is accrued on a time-proportion basis and recognised as interest income.

Ongoing rehabilitation expenditure

Ongoing rehabilitation expenditure is recognised in the income statement as incurred.

Decommissioning provision

The estimated present value of costs relating to the future decommissioning of plant or other site preparation work, taking into account current environmental and regulatory requirements, is capitalised as part of property, plant and equipment, to the extent that it relates to the construction of an asset, and the related provisions are raised in the balance sheet, as soon as the obligation to incur such costs arises.

These estimates are reviewed at least annually and changes in the measurement of the provision that result from the subsequent changes in the estimated timing or amount of cash flows, or a change in discount rate, are added to, or deducted from, the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy on 'Impairment of non-financial assets' above.

Employee benefits cash-settled share-based payments

Refer to the 'Employee benefits – Equity compensation benefits' accounting policy note below.

4.12 Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the carrying values of assets and liabilities for accounting purposes and the tax bases of these assets and liabilities used for tax purposes and on any tax losses. No deferred tax is provided on temporary differences relating to:

- the initial recognition of goodwill;
- the initial recognition (other than in a business combination) of an asset or liability to the extent that neither accounting nor taxable profit is affected on acquisition; and
- investments in subsidiaries to the extent they will probably not reverse in the foreseeable future.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Inventories

COST DETERMINED ON WEIGHTED AVERAGE BASIS

Treasury shares

SHARES HELD BY GROUP ENTITIES – HELD AT COST

DEDUCTION FROM EQUITY

Dividends

RECOGNISED WHEN DECLARED

Provisions

- **ESTIMATED PRESENT VALUE OF COSTS**
  ENVIRONMENTAL REHABILITATION
  DECOMMISSIONING
- **FAIR VALUE**
  CASH-SETTLED SHARE-BASED PAYMENTS

Deferred tax

LIABILITY METHOD

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4.12 Deferred tax continued

When dividends received during the current year can be offset against future dividend payments to reduce the STC liability, a deferred tax asset is recognised to the extent of the future reduction in STC.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is adjusted to the extent that it is no longer probable that sufficient taxable profit will be available to allow all of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is recognised in the income statement, except when it relates to items recognised directly to equity, in which case the deferred tax is also taken directly to equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the group intends, and is able to, settle its current tax assets and liabilities on a net basis.

4.13 Employee benefits

Long-term benefits

The vesting portion of long-term benefits is recognised and provided at balance sheet date, based on the current total cost to the group.

Post-employment benefits

The group operates defined contribution plans for the benefit of its employees, the assets of which are held in separate funds. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The plan is funded by payments from employees and the group. The group's contribution to the funds is recognised as employee benefit expense in the income statement in the year to which it relates.

The group does not provide guarantees in respect of the returns in the defined contribution funds and has no further payment obligations once the contributions have been paid.

The group is also a participating employer in two closed defined benefit plans for its pensioner members who retired before 2001. The group does not, however, provide defined employee benefits to its current employees. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Statutory actuarial valuations on the defined benefit plans are performed every three years, using the projected unit credit method. Valuations are performed on a date which coincides with the balance sheet date. Consideration is given to any event that could impact the funds up to balance sheet date.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

The group recognises termination benefits when it has demonstrated its commitment to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If the benefits are due more than 12 months after balance sheet date, they are discounted to present value.

Equity compensation benefits

The various equity compensation schemes operated by the group allow certain senior employees, including executive directors, the option to acquire shares in Kumba over a prescribed period in return for services rendered. These options are settled by means of the issue of shares. Such equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at the grant date of the equity-settled share-based payments is charged as employee costs on a straight-line basis over the period that the employees become unconditionally entitled to the options, based on management's estimate of the shares that will vest and adjusted for the effect of non market-based vesting conditions. These share options are not subsequently revalued.

The Phantom Share Scheme allows certain senior employees the right to participate in the performance of the Kumba share price, in return for services rendered, through the payment of cash incentives which are based on the market price of the Kumba share. These rights are considered cash-settled and are recognised as a liability at fair value in the balance sheet until the date of settlement. The fair value of these rights is determined at each reporting date and the unrecognised cost amortised to the income statement over the period that the employees provide services to the company.

The fair value of the share options is measured using option pricing models. The expected life used in the models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations such as volatility, dividend yield and the vesting period. The fair value takes into account the terms and conditions on which these incentives are granted and the extent to which the employees have rendered services to balance sheet date.

INCOME STATEMENT

4.14 Revenue

Revenue is derived principally from the sale of iron ore and shipping services rendered. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and service in the ordinary course of the group's activities. Revenue excludes value-added tax (VAT), discounts, volume rebates and sales between group companies, and represents the gross value of goods invoiced.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below.

Sales of goods – iron ore

Revenue from the sale of iron ore is recognised when significant risks and rewards of ownership of the goods are transferred to the buyer. Export revenues are recorded when the risks and rewards of ownership are transferred as indicated by the relevant sales terms stipulated in the sales contract.

Shipping services

Revenue arising from shipping services rendered is recognised based on the percentage of completion method based on the services performed to date as a percentage of the total services to be performed, and is only recognised when the stage of completion can be measured reliably.

4.15 Cost of sales

When inventories are sold, the carrying amount is recognised as part of cost of sales. Any write-down of inventories to net realisable value and all losses of inventories or reversals of previous write downs or losses are recognised in cost of sales in the period the write down, loss or reversal occurs.

4.16 Income from investments

Interest income

Interest is recognised on the time proportion basis, taking into account the principal amount outstanding and the effective interest rate over the period to maturity, when it is determined that such income will accrue to the group.

Dividend income

Dividends received are recognised when the right to receive payment is established.

4.17 Borrowing costs

Interest on borrowings directly relating to the financing of qualifying capital projects under construction is added to the capitalised cost of those projects during the construction phase, until such time as the assets are substantially ready for their intended use or sale which, in the case of mining properties, is when they are capable of commercial production. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the group during the period.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.18 Employee benefits: Short-term benefits

The cost of all short-term employee benefits, such as salaries, bonuses, housing allowances, medical and other contributions is recognised in the income statement during the period in which the employee renders the related service.

4.19 Operating leases

The group leases property and equipment. Under the leasing agreements all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are expensed in the income statement on a straight-line basis over the period of the lease.

READ MORE

Note 14	Revenue	page 54
Note 15	Operating expenses	page 54
Note 18	Finance (costs)/income	page 55
Note 19	Taxation	page 55
Note 20	Per share information	page 56
Note 22	Equity-settled share-based payment reserve	page 57

5. CONVENIENCE TRANSLATION FROM RAND TO US DOLLARS

The presentation currency of the group is Rand. Supplementary US Dollar information is provided for convenience only.

The conversion to US Dollar is performed as follows:

- Assets and liabilities are translated at the closing rate of exchange on balance sheet date.
- Income and expenses are translated at average rates of exchange for the years presented.
- Shareholders' equity, other than attributable earnings for the year, is translated at the closing rate on each balance sheet date.

The resulting translation differences are included in shareholders' equity.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires the group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions, and in some cases actuarial techniques. Actual results could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year:

6.1 Property, plant and equipment

The depreciable amount of property, plant and equipment is allocated on a systematic basis over its useful life. In determining the depreciable amount management makes certain assumptions with regard to the residual value of assets based on the expected estimated amount that the group would currently obtain from disposal of the asset, after deducting the estimated cost of disposal. If an asset is expected to be abandoned the residual value is estimated at zero.

In determining the useful life of items of property, plant and equipment that is depreciated, management considers the expected usage of assets, expected physical wear and tear, legal or similar limits of assets such as mineral rights as well as obsolescence.

This estimate is further impacted by management's best estimation of proved and probable iron ore reserves and the expected future life of each of the mines within the group. The forecast production could be different from the actual iron ore mined. This would generally result from significant changes in the factors or assumptions used in estimating iron ore reserves.

These factors could include:

- changes in proved and probable iron ore reserves;
- differences between actual iron ore prices and iron ore price assumptions;
- unforeseen operational issues at mine sites; and
- changes in capital, operating, mining, processing, reclamation and logistics costs, discount rates and foreign exchange rates.

Also refer to the unaudited 'Resources and reserves statement' included in the Board of Directors' Annual Report for a more detailed discussion on iron ore reserve estimation.

Any change in management's estimate of the useful lives and residual values of assets would impact the depreciation charge. Any change in management's estimate of the total expected future life of each of the mines would impact the depreciation charge as well as the estimated rehabilitation and decommissioning provisions.

6.2 Waste stripping costs

The rate at which costs associated with the removal of overburden or waste material is capitalised as development costs or charged as an operating costs is calculated using management's best estimates of the:

- expected stripping ratio;
- the average life-of-mine stripping ratio; and
- the total expected mining costs to be incurred to mine the ore body.

The average life-of-mine stripping ratio and the average life-of-mine mining cost are recalculated annually in light of additional knowledge and changes in estimates. Any change in management's estimates would impact the stripping costs capitalised charged to operating costs.

6.3 Impairment of non-financial assets

The group reviews and tests the carrying value of assets when events or changes in circumstances indicate that the carrying amount may not be recoverable by comparing expected future cash flows to these carrying values. Such events or circumstances include movements in exchange rates, iron ore prices and the economic environment in which its businesses operate. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows of each group of assets.

Expected future cash flows used to determine the value in use of non-financial assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including iron ore reserves and production estimates, together with economic factors such as future iron ore prices, discount rates, foreign currency exchange rates, estimates of production and logistics costs, future capital expenditure and discount rates used.

6.4 Provision for environmental rehabilitation and decommissioning

The provisions for environmental rehabilitation and decommissioning are calculated using management's best estimate of the costs to be incurred based on the group's environmental policy taking into account current technological, environmental and regulatory requirements discounted to a present value.

Estimates are based upon costs that are regularly reviewed, by internal and external experts, and adjusted as appropriate for new circumstances. Actual costs incurred in future periods could differ from the estimates. Additionally, future changes to environmental laws and regulations, life-of-mine estimates and discount rates used could affect the carrying amount of this provision. As a result, the liabilities that we report can vary if our assessment of the expected expenditures changes.

6.5 Deferred tax assets

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future, or the probability of utilising assessed losses. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income on a subsidiary by subsidiary level. Estimates of future taxable income are based on forecast cash flows from operations. To the extent that future cash flows differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the balance sheet date could be impacted.

6.6 Equity-settled share-based payment reserve

Management makes certain judgements in respect of selecting the appropriate fair value option pricing models to be used in estimating the fair value of the various share-based payment arrangements in respect of employees and special purpose entities. Judgements and assumptions are also made in calculating the variable elements used as inputs in these models. The inputs that are used in the models include, but are not limited to, the expected vesting period and related conditions, share price, dividend yield, share option life, risk free interest rate and annualised share price volatility (refer note 22).

6.7 Estimation of deemed gross sales value of revenue for calculating mining royalty

In terms of The Mineral and Petroleum Resources Royalty Act, No 28 of 2008 and the Mineral and Petroleum Resources Royalty Administration Act, No 29 of 2008, the specified condition for iron ore used to calculate the mining royalty payable will be deemed to have been extracted at a 61.5% Fe specified condition. Management is required to make certain judgements and estimates in determining the gross sales value in this regard.

6.8 Discount rates

The discount rates used are the appropriate pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the assets and liabilities being measured for which the future cash flow estimates have not been adjusted.

6.9 Segment reporting

In applying IFRS 8 Operating Segments, management makes judgements with regard to the identification of reportable operating segments of the group.

6.10 Going concern

Management considers key financial metrics and loan covenant compliance in its approved medium-term budgets, together with its existing-term facilities, to conclude that the going-concern assumption used in the compiling of its annual financial statements, is appropriate.

READ MORE

Note 11	Deferred tax	page 53
Note 22	Equity-settled share-based payments reserve	page 57
Note 38	Segment reporting	page 72
Annexures 3 and 4	US Dollar convenience translation – Balance sheet and income statement	page 82
	Resources and reserves statement	D R

BALANCE SHEET

AS AT 31 DECEMBER

	Notes	2010 Rm	Restated 2009 Rm	Restated 1 Jan 2009 Rm
ASSETS				
Property, plant and equipment	1	**15 866**	11 568	7 911
Biological assets	2	**6**	7	8
Investments in associates and joint ventures	3	**29**	20	6
Investments held by environmental trust	4	**372**	279	237
Long-term prepayments and other receivables	5	**53**	28	32
Deferred tax assets	11	**472**	129	11
Non-current assets		**16 798**	**12 031**	**8 205**
Inventories	6	**3 102**	2 559	1 879
Trade and other receivables	7	**3 096**	2 195	2 262
Current tax assets	26	**24**	131	547
Cash and cash equivalents	8	**4 855**	891	3 810
Current assets		**11 077**	**5 776**	**8 498**
Total assets		**27 875**	**17 807**	**16 703**
EQUITY AND LIABILITIES				
Shareholders' equity		**14 338**	7 306	6 857
Non-controlling interest	23	**4 038**	1 650	1 649
Total equity		**18 376**	**8 956**	**8 506**
Liabilities				
Interest-bearing borrowings	9	**3 185**	3 859	977
Provisions	10	**672**	468	384
Deferred tax liabilities	11	**2 272**	2 282	1 990
Non-current liabilities		**6 129**	**6 609**	**3 351**
Short-term portion of interest-bearing borrowings	9	**–**	55	2 881
Short-term portion of provisions	10	**11**	4	310
Trade and other payables	12	**3 274**	2 161	1 655
Current tax liabilities	26	**85**	22	–
Current liabilities		**3 370**	**2 242**	**4 846**
Total liabilities		**9 499**	**8 851**	**8 197**
Total equity and liabilities		**27 875**	**17 807**	**16 703**

KUMBA IRON ORE GROUP

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2010 Rm	Restated 2009 Rm
Revenue	14	**38 704**	23 408
Operating expenses	15	**(13 573)**	(10 528)
Operating profit	16	**25 131**	12 880
Finance income	18	**149**	286
Finance costs	18	**(178)**	(413)
Profit before taxation		**25 102**	12 753
Taxation	19	**(6 813)**	(3 949)
Profit for the year		**18 289**	**8 804**
Attributable to:			
Owners of Kumba		**14 323**	6 992
Non-controlling interest		**3 966**	1 812
		18 289	**8 804**
Earnings per share for profit attributable to the owners of Kumba (Rand per share)	20		
Basic		**44.66**	21.94
Diluted		**44.52**	21.82

KUMBA IRON ORE GROUP

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

	Note	2010 Rm	Restated 2009 Rm
Profit for the year		**18 289**	8 804
Other comprehensive losses for the year, net of tax	13	**(217)**	(316)
Exchange differences on translation of foreign operations		**(215)**	(315)
Net effect of cash flow hedges		**(2)**	(5)
Taxation		**–**	4
Total comprehensive income for the year		**18 072**	**8 488**
Attributable to:			
Owners of Kumba		**14 143**	6 732
Non-controlling interest		**3 929**	1 756
		18 072	**8 488**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

	Share capital and share premium (note 21) Rm	Treasury shares (note 21) Rm	Equity-settled share-based payments reserve (note 22) Rm	Foreign currency translation reserve Rm	Cash flow hedge accounting reserve Rm	Retained earnings Rm	**Shareholders' equity Rm**	Non-controlling interest (note 23) Rm	**Total equity Rm**
Balance at 31 December 2008	222	(86)	343	564	4	5 812	**6 859**	1 647	**8 506**
Change in accounting policy – share-based payments classification	–	–	–	–	–	(2)	**(2)**	2	**–**
Restated balance at 31 December 2008	222	(86)	343	564	4	5 810	**6 857**	1 649	**8 506**
Shares issued during the year	48	84	–	–	–	–	**132**	–	**132**
Purchase of treasury shares	–	(60)	–	–	–	–	**(60)**	–	**(60)**
Equity-settled share-based payments expense	–	–	123	–	–	–	**123**	15	**138**
Share-based payments classification	–	–	–	–	–	15	**15**	(15)	**–**
Total comprehensive income for the year	–	–	–	(246)	(12)	6 975	**6 717**	1 771	**8 488**
Dividends paid	–	–	–	–	–	(6 478)	**(6 478)**	(1 770)	**(8 248)**
Restated balance at 31 December 2009	**270**	**(62)**	**466**	**318**	**(8)**	**6 322**	**7 306**	**1 650**	**8 956**
Shares issued during the year	**80**	**(6)**	**–**	**–**	**–**	**–**	**74**	**–**	**74**
Net movement in treasury shares under employee share incentive schemes	**–**	**(129)**	**–**	**–**	**–**	**–**	**(129)**	**–**	**(129)**
Equity-settled share-based payments expense	**–**	**–**	**203**	**–**	**–**	**–**	**203**	**(8)**	**195**
Vesting of shares under employee share incentive schemes	**–**	**–**	**(13)**	**–**	**–**	**(50)**	**(63)**	**–**	**(63)**
Total comprehensive income for the year	**–**	**–**	**–**	**(165)**	**(15)**	**14 323**	**14 143**	**3 929**	**18 072**
Change in effective ownership of SIOC (Refer to note 29)	**–**	**–**	**(16)**	**(11)**	**(1)**	**(273)**	**(301)**	**301**	**–**
Share-based payment vesting upon deconsolidation of the SIOC Community Development SPV (Refer to note 29)	**–**	**–**	**(153)**	**–**	**–**	**14**	**(139)**	**–**	**(139)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(6 756)**	**(6 756)**	**(1 834)**	**(8 590)**
Balance at 31 December 2010	**350**	**(197)**	**487**	**142**	**(24)**	**13 580**	**14 338**	**4 038**	**18 376**

Dividend per share (Refer to note 20)	**2010 R**	2009 R
Interim	**13.50**	7.20
Final*	**21.00**	7.40
Total	**34.50**	**14.60**

** The final dividend was declared subsequent to the year-end and is presented for information purposes only.*

Equity-settled share-based payments reserve

The equity-settled share-based payments reserve comprises the fair value of goods received or services rendered that has been settled through the issue of shares or share options.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial results of foreign operations to the presentation currency of Kumba.

Cash flow hedge accounting reserve

The cash flow hedge accounting reserve comprises the effective portion of the cumulative net change in the fair value of derivative financial instruments designated as cash flow hedges where the forecasted transaction has not yet occurred.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2010 Rm	Restated 2009 Rm
Cash flows from operating activities			
Cash receipts from customers		37 325	23 684
Cash paid to suppliers and employees		(11 770)	(10 939)
Cash generated from operations	24	25 555	12 745
Net finance costs paid	25	(283)	(287)
Taxation paid	26	(7 031)	(3 232)
		18 241	9 226
Cash flows from investing activities			
Additions to property, plant and equipment	28	(4 723)	(3 996)
Investment in associates and joint ventures	3	(9)	(14)
Proceeds from disposal of non-current assets		1	37
Net cash outflow on disposal of subsidiaries		(2)	–
Acquisition of business	30	–	(115)
		(4 733)	(4 088)
Cash flows from financing activities			
Shares issued	21	74	132
Purchase of treasury shares	21	(191)	(60)
Dividends paid to owners of Kumba	27	(6 714)	(6 437)
Dividends paid to non-controlling shareholders	27	(1 876)	(1 811)
Change in effective ownership of subsidiary	29	(147)	–
Interest-bearing borrowings raised	9	4 771	2 882
Interest-bearing borrowings repaid	9	(5 500)	(2 826)
		(9 583)	(8 120)
Net increase/(decrease) in cash and cash equivalents		3 925	(2 982)
Cash and cash equivalents at beginning of year		891	3 810
Exchange differences on translation of cash and cash equivalents		39	63
Cash and cash equivalents at end of year	8	4 855	891

1. PROPERTY, PLANT AND EQUIPMENT

	Land Rm	Mineral properties Rm	Residential buildings Rm	Buildings and infrastructure Rm	Machinery, plant and equipment Rm	Mineral exploration, site prepara-tion and development Rm	Assets under construction Rm	Total Rm
2010								
Cost								
Balance at beginning of year	**64**	**658**	**88**	**271**	**9 435**	**81**	**3 741**	**14 338**
Additions (Refer to note 28)	**41**	**–**	**1**	**17**	**209**	**–**	**4 751**	**5 019**
Changes in decommissioning provision (Refer to note 10)	**–**	**–**	**3**	**24**	**16**	**–**	**7**	**50**
Disposals and scrapping	**–**	**(33)**	**–**	**(1)**	**(48)**	**(22)**	**–**	**(104)**
Transfers between asset classes	**–**	**–**	**47**	**71**	**1 401**	**–**	**(1 519)**	**–**
Exchange differences on translation	**–**	**(4)**	**–**	**–**	**–**	**–**	**–**	**(4)**
Balance at 31 December 2010	**105**	**621**	**139**	**382**	**11 013**	**59**	**6 980**	**19 299**
Accumulated depreciation								
Balance at beginning of year	**–**	**195**	**40**	**94**	**2 335**	**69**	**–**	**2 733**
Depreciation	**–**	**17**	**4**	**18**	**722**	**4**	**–**	**765**
Disposals and scrapping	**–**	**–**	**–**	**(1)**	**(42)**	**(22)**	**–**	**(65)**
Transfers between asset classes	**–**	**–**	**–**	**9**	**(9)**	**–**	**–**	**–**
Balance at 31 December 2010	**–**	**212**	**44**	**120**	**3 006**	**51**	**–**	**3 433**
Impairment of assets								
Balance at beginning of year	**–**	**37**	**–**	**–**	**–**	**–**	**–**	**37**
Disposals and scrapping	**–**	**(33)**	**–**	**–**	**–**	**–**		**(33)**
Exchange differences on translation	**–**	**(4)**	**–**	**–**	**–**	**–**	**–**	**(4)**
Balance at 31 December 2010	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Carrying amount at 31 December 2010	**105**	**409**	**95**	**262**	**8 007**	**8**	**6 980**	**15 866**
2009								
Cost								
Balance at beginning of year	64	668	68	226	7 473	254	1 635	10 388
Additions (Refer to note 28)	–	–	15	1	766	–	3 388	4 170
Changes in decommissioning provision (Refer to note 10)	–	–	–	5	3	–	10	18
Disposals and scrapping	–	–	(2)	–	(54)	(173)	–	(229)
Transfers between asset classes	–	–	7	39	1 246	–	(1 292)	–
Exchange differences on translation	–	(10)	–	–	1	–	–	(9)
Balance at 31 December 2009	**64**	**658**	**88**	**271**	**9 435**	**81**	**3 741**	**14 338**
Accumulated depreciation								
Balance at beginning of year	–	178	40	86	1 889	237	–	2 430
Depreciation	–	17	2	9	497	5	–	530
Disposals and scrapping	–	–	(2)	–	(52)	(173)	–	(227)
Transfers between asset classes	–	–	–	(1)	1	–	–	–
Balance at 31 December 2009	**–**	**195**	**40**	**94**	**2 335**	**69**	**–**	**2 733**
Impairment of assets								
Balance at beginning of year	–	47	–	–	–	–	–	47
Exchange differences on translation	–	(10)	–	–	–	–	–	(10)
Balance at 31 December 2009	**–**	**37**	**–**	**–**	**–**	**–**	**–**	**37**
Carrying amount at 31 December 2009	**64**	**426**	**48**	**177**	**7 100**	**12**	**3 741**	**11 568**

1. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Additional disclosures

Included in the above items of property, plant and equipment are fully depreciated assets still in use with an original cost price of R143 million (2009: R147 million). During the year the group scrapped fully depreciated assets with an original cost price of R49 million (2009: R173 million).

The group generated proceeds from the disposal of items of property, plant and equipment of R0.7 million (2009: R37.0 million).

The estimated replacement value of assets for insurance purposes and assets under construction at cost amounts to R26.1 billion (2009: R19.3 billion).

A register of land and buildings is available for inspection at the registered office of the company.

None of the assets are encumbered as security for any of the group's liabilities.

Capital commitments

Capital commitments include all items of capital expenditure for which specific board approval has been obtained up to balance sheet date. Capital expenditure still under investigation for which specific board approvals have not yet been obtained are excluded.

Capital expenditure will be financed principally from borrowing facilities and cash generated from operations.

	2010 Rm	2009 Rm
Capital expenditure contracted for plant and equipment	1 727	2 392
Capital expenditure authorised for plant and equipment but not contracted	4 965	6 755

Capital commitments for Thabazimbi Mine (a captive mine) will be financed by ArcelorMittal:

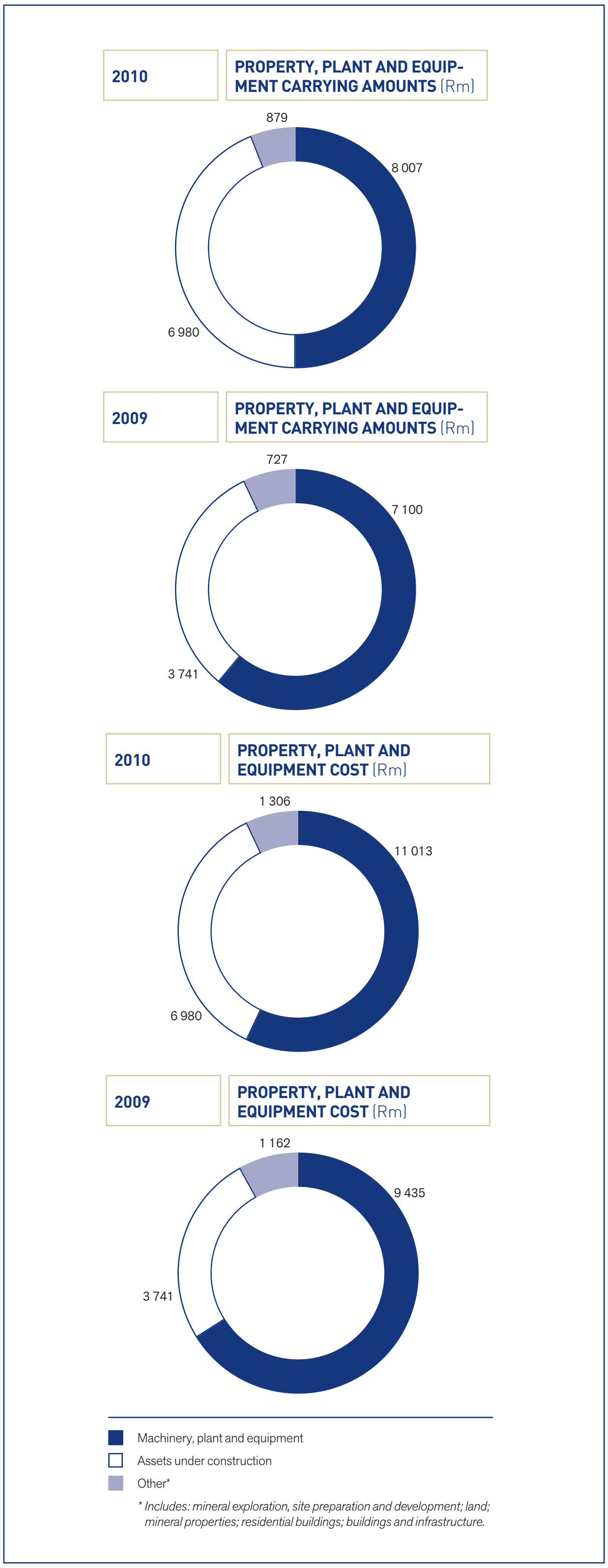
	2010 Rm	2009 Rm
Capital expenditure contracted for plant and equipment	38	6
Capital expenditure authorised for plant and equipment but not contracted	48	31

2. BIOLOGICAL ASSETS

	Livestock Rm	Game Rm	Total Rm
Balance at beginning of year	4	3	7
Acquisitions	2	–	2
Gains attributable to physical changes and price changes	–	1	1
Disposals	(4)	–	(4)
Balance at 31 December 2010	**2**	**4**	**6**
Balance at beginning of year	4	4	8
Disposals (Livestock: <R1 million)	–	(1)	(1)
Balance at 31 December 2009	**4**	**3**	**7**

Biological assets comprise mature livestock and game and are measured at fair value.

Livestock consists of cattle, sheep and goats and game consists of giraffe, ostrich and a variety of antelope.



3. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	2010 R'000	2009 R'000
Associates		
Unlisted	**50**	50
Joint ventures		
Unlisted	**28 952**	19 840
Total	**29 002**	**19 890**

Refer to annexure 2 for detail of associated companies and joint ventures and directors' valuations.

	Investments R'000	Loans R'000	Total R'000
Associates			
Balance at beginning of year	50	–	50
Balance at 31 December 2010	**50**	**–**	**50**
Balance at beginning of year	50	–	50
Balance at 31 December 2009	**50**	**–**	**50**

No income was earned or expense was incurred by the associate during the year as the entity is dormant.

	2010 R'000	2009 R'000
Balance sheet information of associates		
Non-current assets	**2 893**	2 893
Total assets	**2 893**	**2 893**
Shareholders' equity	**2 847**	2 847
Non-current liabilities	**46**	46
Total equity and liabilities	**2 893**	**2 893**

The financial information presented represents the group's effective interest.

	Investments R'000	Loans R'000	Total R'000
Joint ventures			
Balance at beginning of year	–	19 840	19 840
Increase in loans to joint ventures	–	9 112	9 112
Balance at 31 December 2010	**–**	**28 952**	**28 952**
Balance at beginning of year	–	5 470	5 470
Increase in loans to joint ventures	–	14 370	14 370
Balance at 31 December 2009	**–**	**19 840**	**19 840**

	2010 R'000	2009 R'000
Income statement information of joint ventures		
Revenue	**173 772**	182 069
Operating expenses	**(26 923)**	(23 935)
Operating profit	**146 849**	158 134
Net financing income	**278**	136
Profit before taxation	**147 127**	158 270
Taxation	**3 819**	2 635
Profit for the year	**150 946**	**160 905**
Balance sheet information of joint ventures		
Non-current assets	**16 762**	10 269
Current assets	**3 129**	28 835
Total assets	**19 891**	**39 104**
Shareholders' deficit	**(25 862)**	(11 758)
Non-current liabilities	**28 951**	19 839
Current liabilities	**16 802**	31 023
Total equity and liabilities	**19 891**	**39 104**
Cash flow information of joint ventures		
Cash flows (utilised in)/from operating activities	**(22 475)**	8 360
Cash flows from investing activities	**7 402**	14 363
Foreign currency translations	**(9 718)**	(15 239)
Net (decrease)/increase in cash and cash equivalents	**(24 791)**	**7 484**

The financial information presented represents the group's effective interest.

Kumba impaired the investment in its 50% held joint venture, Trans Orient Ore Supplies Limited, to Rnil during the year as there are no future cash inflows expected from this investment. The marketing services agreement between Trans Orient Ore Supplies Limited and Kumba Hong Kong Limited expired during 2010. The entity has been wound down and will be liquidated.

4. INVESTMENTS HELD BY ENVIRONMENTAL TRUST

	2010 Rm	2009 Rm
Balance at beginning of year	**279**	237
Contributions	**68**	26
Growth in environmental trusts	**25**	16
Balance at end of year	**372**	**279**
Cash investments	**301**	197
Equity-linked investments	**71**	82
	372	**279**

These investments may only be utilised for the purpose of settling decommissioning and rehabilitation obligations relating to the group's mining operations. The investment returns are reinvested by the trust. Refer to note 10 for the environmental rehabilitation and decommissioning provisions.

4. INVESTMENTS HELD BY ENVIRONMENTAL TRUST CONTINUED

	2010 Rm	2009 Rm
Maturity profile of the investments held by environmental trust		
More than 5 years	**372**	279
Currency analysis of investments held by environmental trust		
Rand million	**372**	279

Fair value of investments held by environmental trust

The fair value of investments held by the environmental trust is determined using a discounted cash flow method using market-related rates at 31 December.

	Carrying value Rm	Fair value Rm
Investments held by environmental trust – 2010	**372**	**372**
Investments held by environmental trust – 2009	279	279

Credit risk

Investments held by the environmental trust are invested in various financial institutions with long-term investment grade credit rating and with the capacity for payment of financial commitments considered strong. The trustees of the environmental trust continuously review the investment strategy of the trust with its banking advisors to ensure that the strategy remains appropriate in light of changing market conditions.

Equity securities price risk

The equity-linked investment values are determined with reference to the FTSE/JSE Financial and Industrial 30 and the FTSE/JSE Africa Index Series Top 40 indices. The fair value of these investments are determined indirectly using market prices observable for the equities that make up the indices to which the performance of the investments are linked (level 2).

Interest rate risk

Investments held by the environmental trust are invested in financial instruments with equity-linked variable interest rates between 7.9% and 26.9% (2009: 8.0% and 11.8%).

5. LONG-TERM PREPAYMENTS AND OTHER RECEIVABLES

	2010 Rm	2009 Rm
Long-term receivables	**1**	–
Prepayments	**52**	28
	53	**28**
Maturity profile of long-term prepayments and other receivables		
1 to 2 years	**7**	7
2 to 5 years	**17**	11
More than 5 years	**29**	10
	53	**28**

6. INVENTORIES

	2010 Rm	2009 Rm
Finished products	**1 310**	1 166
Work-in-progress	**1 375**	1 058
Plant spares and stores	**417**	334
Merchandise	**–**	1
	3 102	**2 559**

No inventories are carried at net realisable value or were encumbered during the year.

7. TRADE AND OTHER RECEIVABLES

	2010 Rm	2009 Rm
Trade receivables	**2 058**	1 606
Other receivables	**960**	546
Derivative financial instruments (Refer to note 31)	**78**	43
	3 096	**2 195**

Credit risk

Trade receivables are exposed to the credit risk of end-user customers within the steel manufacturing industry.

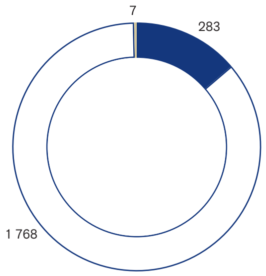
Significant concentrations of credit risk exist in respect of trade receivables, where R1 609 million (2009: R1 270 million) or 78% (2009: 79%) of the total outstanding trade receivables balance of R2 058 million (R1 606 million) consists of individual end-user customers with an outstanding balance in excess of 5% of the total trade receivables balance as at 31 December 2010 and 31 December 2009, respectively.

The group has an established credit policy under which customers are analysed for creditworthiness before the group's payment and delivery terms and conditions are offered. Customer balances are monitored on an ongoing basis to ensure that they remain within the negotiated terms and conditions offered.

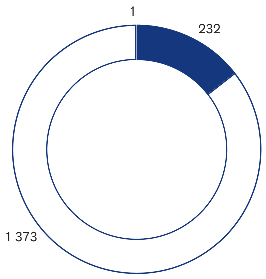
	2010 Rm	2009 Rm
Trade receivables credit risk exposure by geographical area		
South Africa	**291**	257
Europe	**331**	235
Asia	**1 436**	1 114
	2 058	**1 606**
Credit quality of trade receivables		
Not past due	**2 054**	1 574
Past due 0 to 30 days	**4**	–
Past due 31 to 60 days	**–**	32
	2 058	**1 606**

Based on the credit standing and historic default rates of outstanding receivables, the group believes that no impairment allowance is necessary in respect of trade receivables past due.

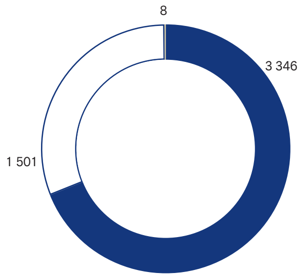
2010 | **TRADE AND OTHER RECEIVABLES CURRENCY ANALYSIS** (Rm)



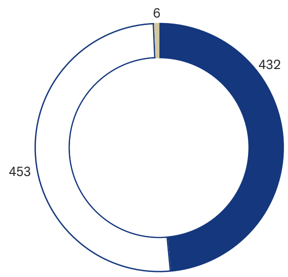
2009 | **TRADE AND OTHER RECEIVABLES CURRENCY ANALYSIS** (Rm)



2010 | **CASH AND CASH EQUIVALENTS CURRENCY ANALYSIS** (Rm)



2009 | **CASH AND CASH EQUIVALENTS CURRENCY ANALYSIS** (Rm)



Rand
US Dollar
Other

7. TRADE AND OTHER RECEIVABLES CONTINUED

	2010 Rm	2009 Rm
Currency analysis of trade receivables		
Rand	**283**	232
US Dollar	**1 768**	1 373
Other	**7**	1
	2 058	**1 606**
Other receivables consists of the following		
Prepayments	**36**	30
Value Added Tax receivable	**660**	308
Interest receivable	**29**	9
Provision for doubtful other receivables	**(5)**	–
Opening balance	**–**	–
Income statement charge for the year	**(5)**	–
Other	**240**	199
	960	**546**

8. CASH AND CASH EQUIVALENTS

	2010 Rm	2009 Rm
Bank balance and cash	**4 855**	535
Cash restricted for use	**–**	356
	4 855	**891**

Included in cash restricted for use at 31 December 2009 was cash held by SIOC Community Development SPV (Pty) Limited which was considered a special purpose entity at the time and was consolidated for accounting purposes. This entity was deconsolidated from the group in 2010. Refer to note 29.

	2010 Rm	2009 Rm
Currency analysis of cash and cash equivalents		
Rand	**3 346**	432
US Dollar	**1 501**	453
Euro	**8**	4
Other	**–**	2
	4 855	**891**

Credit risk

Cash and cash equivalents are held in various financial institutions with long-term investment grade credit rating and with the capacity for payment of financial commitments considered strong. Kumba had a R1 391 million short-term deposit facility as at 31 December 2010 that was placed with Anglo American SA Finance Limited (2009: Rnil), a subsidiary of the group's ultimate holding company (refer to note 37).

9. INTEREST-BEARING BORROWINGS

	2010 Rm	2009 Rm
Non-current interest-bearing borrowings		
Long-term portion of interest-bearing borrowings	**3 185**	3 859
	3 185	3 859
Current interest-bearing borrowings		
Short-term portion of interest-bearing borrowings	**–**	55
	–	55
Total interest-bearing borrowings	**3 185**	**3 914**
Reconciliation		
Balance at beginning of year	**3 914**	3 858
Interest-bearing borrowings raised	**4 771**	2 882
Interest-bearing borrowings repaid	**(5 500)**	(2 826)
Balance at end of year	**3 185**	**3 914**
Maturity profile of interest-bearing borrowings		
Within 1 year	**–**	55
2 to 3 years	**3 185**	3 195
3 to 4 years	**–**	664
Balance at end of year	**3 185**	**3 914**

Financial covenants

The group is in compliance with its debt covenants (total debt/earnings before interest, tax, depreciation and amortisation (EBITDA); and EBITDA/net interest expense). This was also the case in 2009.

Currency analysis of interest-bearing borrowings

All interest-bearing borrowings of the group are denominated in Rand.

Jibar rate

The Jibar rate at 31 December 2010 was 5.549% (2009: 7.229%).

	Maturity date	Interest rate at 31 Dec 2010 %	Facility	Outstanding balance 2010 Rm	Outstanding balance 2009 Rm
Unsecured loans					
Revolving facility "C" at a floating interest rate of 3-month Jibar + 240 basis points, reset quarterly but payable semi-annually (2009: 9.48%). Maturity date 28 November 2013	2013	0*	5 400	**–**	700
Term facility at a floating interest rate of 3-month Jibar + 285 basis points, reset quarterly but payable semi-annually (2009: 10.11%). Maturity date 31 July 2012	2012	8.65	3 195	**3 195**	3 195
Call loan facility	2011	–	3 900	**–**	55
Fair value at end of year			12 495	**3 195**	**3 950**
Deferred transaction costs				**(10)**	(36)
Carrying value at end of year			**12 495**	**3 185**	**3 914**

* *There were no funds drawn down against the facility at 31 December 2010. The weighted average interest rate incurred on funds drawn down during the year was 9.06%.*

10. PROVISIONS

	Employee benefits cash-settled share-based payments Rm	Contract for affreightment Rm	Environmental rehabilitation Rm	Decommis-sioning Rm	Total Rm
Non-current provisions	–	–	532	140	672
Current portion of provisions	11	–	–	–	11
Total provisions	11	–	532	140	683
2010					
Balance at beginning of the year	10	2	377	83	472
Notional interest	–	–	35	7	42
(Reversed)/charged to income statement	–	(2)	120	–	118
Capitalised to property, plant and equipment	–	–	–	50	50
Utilised during the year	(10)	–	–	–	(10)
Cash-settled share-based payments	11	–	–	–	11
Balance at 31 December 2010	11	–	532	140	683
Expected timing of future cash flows					
Within 1 year	11	–	–	–	11
More than 5 years	–	–	532	140	672
	11	–	532	140	683
Estimated undiscounted obligation	11	–	1 082	334	1 427
2009					
Non-current provisions	8	–	377	83	468
Current portion of provisions	2	2	–	–	4
Total provisions	10	2	377	83	472
Balance at beginning of the year	22	305	304	63	694
Notional interest	–	–	12	2	14
(Reversed)/charged to income statement	–	(196)	61	–	(135)
Capitalised to property, plant and equipment	–	–	–	18	18
Utilised during the year	(16)	(70)	–	–	(86)
Cash-settled share-based payments	4	–	–	–	4
Exchange differences on translation		(37)	–	–	(37)
Balance at 31 December 2009	10	2	377	83	472
Estimated undiscounted obligation	–	99	860	201	1 160

Cash-settled share-based payments (Refer to note 22)

At 31 December 2010 the provision represents amounts payable to deceased beneficiaries on the Envision share scheme. The 2009 balance included a provision in respect of the Phantom Share Option scheme which arose when Kumba was unbundled from the then Kumba Resources Limited.

Contract for affreightment

The R2 million provision as at 31 December 2009 related to the remaining three voyages which extended past 31 December 2009 in terms of a freight contract based on the present value of the contractual costs less current market rates at 31 December 2009. The remaining voyages took place during 2010 and the contract came to an end.

Environmental rehabilitation

Provision is made for environmental rehabilitation costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are reviewed regularly and adjusted as appropriate for new circumstances.

Decommissioning

The decommissioning provision relates to decommissioning of property, plant and equipment where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted.

Funding of environmental rehabilitation and decommissioning (Refer to note 4)

Contributions towards the cost of mine closure are also made to the Kumba Iron Ore Rehabilitation Trust and the balance of the trust amounted to R372 million at 31 December 2010 (2009 : R279 million).

10. PROVISIONS CONTINUED

Significant accounting estimates

The estimation of the environmental rehabilitation and decommissioning provisions are a key area where management's judgement is required.

A change of 1% in the discount rate used in estimating the environmental rehabilitation and decommissioning provisions would result in an increase of R43.4 million (2009: R100.7 million) or a decrease of R35.6 million (2009: R79.3 million) in the carrying value of the provision.

A change of one year in the expected timing of the commencement of environmental rehabilitation and decommissioning would result in an increase of R26.9 million (2009: R18.3 million) or a decrease of R25.8 million (2009: R17.6 million) in the carrying value of the provision.

Change in accounting estimate

At 31 December 2010 management revised the estimate of the amount and timing of the closure cost of Sishen Mine, Thabazimbi Mine and Kolomela Mine. The effect of these changes are detailed below:

	Environmental rehabilitation Rm	Decom-missioning Rm	Total Rm
Amount of the closure cost	**134**	**51**	**185**
Expected timing of future cash flows	**(14)**	**(1)**	**(15)**
	120	**50**	**170**

The change in estimate in the environmental rehabilitation provision resulted in a decrease in attributable profit for 2010 of R66 million (effect on earnings per share 20.6 cents per share) after taking into account taxation of R34 million and non-controlling interest of R20 million. The change in estimate in the decommissioning provision has been capitalised to the related property, plant and equipment (refer to note 1).

11. DEFERRED TAX

	2010 Rm	2009 Rm
Deferred tax assets		
Reconciliation		
Balance at beginning of year	**129**	11
Foreign exchange translation differences	**(37)**	–
Current year charge per the income statement	**380**	8
Acquisition of business	**–**	110
Balance at end of year	**472**	**129**
Expected timing		
Deferred tax assets to be recovered after 12 months	**327**	104
Deferred tax assets to be recovered within 12 months	**145**	25
Balance at end of year	**472**	**129**
Deferred tax assets attributable to the following temporary differences		
Estimated tax losses	**459**	129
Other	**13**	–
Total deferred tax assets	**472**	**129**

The amount of unused tax losses for which no deferred tax asset was recognised at 31 December 2010 was R681 million (2009: R 2 738 million).

	2010 Rm	2009 Rm
Deferred tax liabilities		
Reconciliation		
Balance at beginning of year	**2 282**	1 990
Prior year adjustment	**9**	(4)
Current year charge		
Per statement of comprehensive income	**–**	4
Per the income statement	**(19)**	292
Balance at end of year	**2 272**	**2 282**
Expected timing		
Deferred tax liabilities to be recovered after 12 months	**2 064**	2 068
Deferred tax liabilities to be recovered within 12 months	**208**	214
	2 272	**2 282**
Deferred tax liabilities attributable to the following temporary differences		
Property, plant and equipment	**2 460**	2 063
Environmental rehabilitation provision	**(149)**	(39)
Decommissioning provision	**(16)**	(13)
Environmental rehabilitation trust asset	**104**	66
Leave pay accrual	**(40)**	(34)
Other	**(87)**	239
Total deferred tax liabilities	**2 272**	**2 282**

At 31 December 2010 the group had unredeemed capital expenditure of R6.2 billion relating to Kolomela Mine which will reduce future tax cash flows from when the mine commences commercial production.

12. TRADE AND OTHER PAYABLES

	2010 Rm	2009 Rm
Trade payables	**1 595**	929
Other payables	**1 510**	1 109
Leave pay accrual	**139**	121
Derivative financial instruments (Refer to note 31)	**30**	2
	3 274	**2 161**
Currency analysis of trade and other payables		
Rand	**3 094**	1 931
US Dollar	**143**	192
Euro	**37**	31
Other	**–**	7
	3 274	**2 161**

Other payables consist mainly of accruals for goods and services received.

13. OTHER COMPREHENSIVE LOSSES

	Before tax Rm	Tax Rm	Net of tax Rm
2010			
Foreign currency translation differences			
Net losses arising during the year	**(215)**	**–**	**(215)**
Net effect of cash flow hedges			
Net losses arising during the year	**(2)**	**–**	**(2)**
Other comprehensive losses for the year	**(217)**	**–**	**(217)**
2009			
Foreign currency translation differences			
Net losses arising during the year	(315)	4	(311)
Net effect of cash flow hedges			
Net losses arising during the year	(5)	–	(5)
Other comprehensive losses for the year	**(320)**	**4**	**(316)**

14. REVENUE

	2010 Rm	2009 Rm
Sale of iron ore	**35 825**	20 016
Services rendered – shipping	**2 879**	3 392
	38 704	**23 408**
Sale of iron ore		
Domestic – South Africa	**2 874**	1 359
Export	**32 951**	18 657
China	**20 233**	13 378
Rest of Asia	**7 465**	3 128
Europe	**4 896**	2 151
Middle East	**300**	–
South America	**57**	–
Services rendered – shipping (China)	**2 879**	3 392
	38 704	**23 408**

15. OPERATING EXPENSES

	2010 Rm	2009 Rm
Operating expenses by function		
Production costs	**7 317**	5 960
Movement in work-in-progress inventories	**(288)**	(160)
Cost of goods produced	**7 029**	5 800
Movement in finished product inventories	**(171)**	(440)
Finance gains (Refer to note 17)	**(286)**	(329)
Other	**(2)**	(30)
Cost of goods sold	**6 570**	5 001
Mining royalty	**1 410**	–
Selling and distribution costs	**3 041**	2 838
Distribution costs	**2 760**	2 609
Selling costs	**281**	229
Cost of services rendered - shipping	**2 560**	2 697
Sublease rentals received	**(8)**	(8)
Operating expenses	**13 573**	**10 528**

	2010 Rm	2009 Rm
Cost of goods sold comprises:		
Staff costs	**2 284**	1 814
Salaries and wages	**1 883**	1 508
Equity-settled share-based payments	**195**	138
Cash-settled share-based payments	**11**	4
Pension and medical costs	**195**	164
Raw materials and consumables	**1 509**	1 148
Depreciation of property, plant and equipment	**765**	530
Mineral properties	**17**	17
Residential buildings	**4**	2
Buildings and infrastructure	**18**	9
Machinery, plant and equipment	**722**	497
Site preparation and development	**4**	5
Repairs and maintenance	**701**	584
Legal fees	**79**	63
Professional fees	**194**	236
Outside services	**1 288**	983
Finance gains (Refer to note 17)	**(286)**	(329)
Energy costs	**189**	138
Own work capitalised	**(581)**	(181)
Movement in inventories	**(459)**	(600)
General expenses	**887**	615
Cost of goods sold	**6 570**	**5 001**

16. OPERATING PROFIT

	2010 Rm	2009 Rm
Operating profit includes the following amounts, some of which are also included in the analysis of operating expenses disclosed in note 15:		
Staff costs		
Employee expenses	**2 078**	1 672
Share-based payments expenses	**206**	142
Directors' emoluments (Refer to remuneration report on page 18)	**15**	12
Executive directors		
– Emoluments received as directors of the company	**8**	7
– Bonuses and cash incentives	**4**	2
Non-executive directors – emoluments received as directors of the company	**3**	3
Depreciation of property, plant and equipment (Refer to note 1)	**765**	530
Operating lease rental expenses		
Property	**45**	29
Equipment	**34**	31
Borrowings facility fee	**12**	–
Auditors' remuneration		
Audit fees	**6**	6
Other services	**1**	1
Provision for doubtful other receivables	**5**	–
Impairment of trade receivables	**1**	–
Research and development cost	**3**	3
Reconditioned spares usage	**2**	–
Net loss on disposal of investment	**2**	–
Net loss/(profit) on disposal or scrapping of property, plant and equipment	**5**	(35)
Operating sublease rentals received		
Property	**(6)**	(6)
Other	**(2)**	(2)

17. FINANCE GAINS/(LOSSES)

	2010 Rm	2009 Rm
Finance gains/(losses) recognised in operating profit		
Net gains on derivative financial instruments		
Realised	**626**	694
Unrealised	**10**	42
Net foreign currency (losses)/gains		
Realised	**(279)**	(425)
Unrealised	**(71)**	18
	286	**329**

18. FINANCE (COSTS)/INCOME

	2010 Rm	2009 Rm
Interest expense	**(432)**	(573)
Notional interest on non-current provisions (Refer to note 10)	**(42)**	(14)
Capitalisation of borrowing costs (Refer to note 28)	**296**	174
Finance costs	**(178)**	(413)
Interest received	**149**	286
Net finance costs	**(29)**	**(127)**

19. TAXATION

	2010 Rm	2009 Rm
Taxation expense		
Current taxation	**6 318**	2 823
Deferred taxation	**(390)**	280
STC	**885**	846
	6 813	**3 949**
Charge to the income statement		
South African normal taxation		
Current year	**6 292**	2 835
Prior year	**–**	(22)
Foreign taxation		
Current year	**44**	18
Prior year	**(18)**	(8)
STC	**885**	846
Income taxation	**7 203**	3 669
Deferred taxation		
Current year	**(399)**	284
Prior years	**9**	(4)
	6 813	**3 949**

19. TAXATION CONTINUED

	2010 %	2009 %
Reconciliation of taxation rates		
Taxation as a percentage of profit before taxation	**27.1**	31.0
Taxation effect of:		
Disallowable expenditure	**(0.1)**	(0.5)
Exempt income	**2.7**	3.4
Deferred tax asset raised in the current year on unrecognised taxation losses brought forward from the prior year	**1.8**	0.3
Rate difference on tax rate	**(0.2)**	0.2
STC	**(3.5)**	(6.6)
Prior year underprovision	**–**	0.2
Foreign exchange translation differences	**0.2**	–
Standard taxation rate	**28.0**	**28.0**

20. PER SHARE INFORMATION

Attributable earnings per share is calculated by dividing profit attributable to shareholders of Kumba by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the group and held as treasury shares.

For the diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares as a result of share options granted to employees under the employee share incentive schemes. A calculation is performed to determine the number of shares that could have been acquired at fair value, determined as the average annual market share price of the company's shares based on the monetary value of the subscription rights attached to the outstanding share options.

	2010 Rm	Restated 2009 Rm
Profit attributable to equity holders of Kumba	**14 323**	6 992

	2010 Number of shares	2009 Number of shares
Weighted average number of ordinary shares in issue	**320 727 067**	318 742 724
Potential dilutive effect of outstanding share options	**964 068**	1 688 335
Diluted weighted average number of ordinary shares in issue	**321 691 135**	**320 431 059**

Reconciliation of headline earnings

The calculation of headline earnings per share is based on the basic earnings per share calculation adjusted for the following items:

	2010 Gross adjustment Rm	2010 Net attributable Rm	2009 Gross adjustment Rm	2009 Net attributable Rm
Profit attributable to equity holders of Kumba	**14 323**	**14 323**	6 992	6 992
Net loss/(profit) on disposal or scrapping of property, plant and equipment	**5**	**3**	(35)	(20)
Net loss on disposal of investment	**2**	**2**	–	–
	14 330	**14 328**	6 957	6 972
Taxation effect of adjustments	**(1)**		10	
Minority interest in adjustments	**(1)**		5	
Headline earnings	**14 328**	**14 328**	**6 972**	**6 972**

	2010 R	Restated 2009 R
Attributable earnings per share		
Basic	**44.66**	21.94
Diluted	**44.52**	21.82
Headline earnings per share		
Basic	**44.67**	21.87
Diluted	**44.54**	21.76
Dividend per share	**34.50**	14.60
Interim	**13.50**	7.20
Final	**21.00**	7.40

21. SHARE CAPITAL AND SHARE PREMIUM (INCLUDING TREASURY SHARES)

	2010 Number of shares	2009 Number of shares
Authorised		
Ordinary shares of R0.01 each	**500 000 000**	500 000 000
Issued		
Ordinary shares of R0.01 each	**321 911 721**	320 415 081
Reconciliation of issued shares		
Number of shares at beginning of year	**320 415 081**	319 461 421
Number of ordinary shares issued	**1 496 640**	953 660
Number of shares at end of year	**321 911 721**	**320 415 081**
Shares held in reserve reconciliation		
Authorised shares at the beginning of year not issued	**179 584 919**	180 538 579
Shares issued	**(1 342 852)**	(815 550)
Shares held by the Kumba Iron Ore Management Share Trust	**(153 788)**	(138 110)
Unissued shares	**178 088 279**	**179 584 919**

The unissued shares are under the control of the directors of Kumba until the next annual general meeting.

	2010 Rm	2009 Rm
Reconciliation of share capital and premium		
Balance at beginning of year	**208**	136
Total shares issued for cash consideration	**74**	132
Shares issued – share premium	**80**	48
Net movement in shares held by Kumba Iron Ore Management Share Trust	**(6)**	84
Net movement in treasury shares under employee share incentive schemes	**(129)**	(60)
Purchase of treasury shares under employee share incentive schemes	**(191)**	(60)
Shares issued to employees under employee share incentive schemes	**62**	–
Share capital and premium at end of year	**153**	**208**
Consists of:		
Share capital	**3**	3
Share premium	**150**	205

22. EQUITY-SETTLED SHARE-BASED PAYMENTS RESERVE

	2010 Rm	Restated 2009 Rm
Restated balance at beginning of year	**466**	343
Equity-settled share-based payments expense	**203**	123
Employee share incentive schemes		
– Bonus Share Plan	**39**	11
– Long-Term Incentive Plan	**24**	17
– Share Appreciation Rights Scheme	**7**	10
– Deferred Bonus Plan (2010 and 2009: <R1 million)	**–**	–
– Management Share Option Scheme	**2**	4
– Envision	**123**	96
Non-controlling interest	**8**	(15)
Vesting of shares under employee share incentive schemes	**(166)**	–
Change in effective ownership of SIOC (Refer to note 29)	**(16)**	–
Balance at end of year	**487**	**466**

Employee share incentive schemes

Employees of the group participate in the following share incentive schemes:

- Bonus Share Plan (BSP)
- Long-Term Incentive Plan (LTIP)
- Share Appreciation Rights Scheme (SARS) (No longer in use)
- Deferred Bonus Plan (DBP) (No longer in use)
- Management Share Option Scheme (No longer in use)
- Phantom Share Option Scheme (No longer in use)
- Envision

BSP

The BSP for executive directors and senior employees was implemented during 2009. The adoption and implementation of the scheme was approved by shareholders at the annual general meeting on 20 March 2009.
The BSP is offered to senior managers and key executives who have the opportunity and the responsibility to contribute towards Kumba's overall strategic objectives. The BSP has two components:

- A payment of an annual cash bonus; and
- A forfeitable award of shares linked to the participant's annual cash bonus award known as bonus shares.

The number of bonus shares awarded is determined with reference to the amount of the annual cash bonus an employee receives which is directly linked to the employee's personal performance and potential. The shares are held by an escrow agent and released to the employee three years after the award date (subject to continuous employment). During the three-year period, the employee is entitled to all rights attaching to the bonus shares including dividend entitlements and voting rights.

22. EQUITY-SETTLED SHARE-BASED PAYMENTS RESERVE CONTINUED

BSP continued

	2010 Award	2009 Award
Movement in the number of awards granted		
Balance at beginning of year	–	299 138
Bonus shares awarded	231 573	26 564
Awards exercised*	(512)	(4 360)
Awards lapsed	(5 187)	(10 565)
Balance at 31 December 2010	225 874	310 777
Balance at beginning of year		–
Bonus shares awarded		299 138
Balance at 31 December 2009		299 138

* *This relates to the pro rata portion of the Bonus Shares granted to employees who are considered good leavers in terms of the share rules.*

	Number of awards	Expiry date
Vesting period of awards granted		
1 to 2 years	310 777	2012
2 to 5 years	225 874	2013

	2010 Rm	2009 Rm
Share-based payment expense recognised	39	11
Unrecognised share-based payment expense	69	32

The share awards granted under the BSP are considered equity-settled. The share-based payment expense is measured using the fair value of the share awards issued under the BSP which was determined using the grant date share price of Kumba's shares.

	2010 Award	2009 Award
Fair value assumptions		
Share price on date of grant (Rand)	346.68	172.60
Expected share option life (years)	3	3
Expected dividend yield (%)	6.94	10.28
Risk-free interest rate (%)	6.50	6.14

The risk-free interest rate for the period within the contractual term of the awards is based on South African Government bonds.

The historical volatility of the Kumba share price is used in determining the expected volatility.

LTIP

Senior employees receive annual grants of conditional awards of Kumba shares.

The conditional award will vest after the performance period of three years, and to the extent that specific performance conditions have been satisfied. No retesting of the performance conditions is allowed.

The performance conditions for the LTIP awards made to date are subject to the achievement of stretching performance targets relating to total shareholder return (TSR) and to an operating measure, currently return on capital employed (ROCE), over a fixed three-year period.

The performance conditions will determine if, and to what extent, the conditional award will vest. Upon vesting the employee will be entitled to shares in Kumba to settle the value of the vested portion of the conditional award. The conditional awards which do not vest at the end of the three year period will lapse.

Upon retrenchment, ill-health, disability, retirement or death a proportion of unvested conditional awards shall vest on the date of cessation of employment. The proportion of awards that vest under the LTIP would reflect the number of months' service and in the opinion of the remuneration committee the extent to which the performance conditions have been met. On resignation or termination of employment all unexercised (vested and unvested) conditional awards will lapse on the date of cessation of employment.

The main intention of the LTIP is to settle the benefits by delivering shares in Kumba to employees.

The aggregate number of shares which may be allocated under the LTIP when added to the total number of unvested conditional awards, unexercised SARS and share options allocated to employees under any other managerial share scheme, may not exceed 10% of the number of issued ordinary shares of Kumba.

	Number of conditional awards			
	2010 Award	2009 Award	2008 Award	2007 Award#
Movement in the number of conditional awards granted				
Balance at beginning of year	–	36 490	217 175	74 913
Conditional awards issued	24 219	–	–	–
Conditional awards vested	–	–	–	(74 525)
Conditional awards forfeited	(854)	–	(6 330)	–
Balance at 31 December 2010	23 365	36 490	210 845	388
Balance at beginning of year		–	221 896	78 789
Conditional awards issued		36 490	3 841	2 142
Conditional awards vested*		–	–	(528)
Conditional awards forfeited		–	(8 562)	(5 490)
Balance at 31 December 2009		36 490	217 175	74 913

\# *The balance of 2007 awards remaining at 31 December 2010 represents a pro rata allocation of LTIP awards made to employees that joined Kumba after the original award and these awards will vest on the third anniversary.*

* *This relates to employees who are considered good leavers in terms of the share rules.*

	Number of conditional awards	Expiry date
Vesting period of conditional awards granted		
Less than 1 year	211 233	2011
1 to 2 years	36 490	2012
2 to 5 years	23 365	2013

22. EQUITY-SETTLED SHARE-BASED PAYMENTS RESERVE CONTINUED

LTIP continued

	2010 Rm	2009 Rm
Share-based payment expense recognised	**24**	17
Unrecognised share-based payment expense	**11**	15

The conditional awards granted under the LTIP are considered equity-settled. The share-based payment expense is measured using the fair value of the conditional award issued under the LTIP which was determined using the Montecarlo option pricing model.

	2010 Award	2009 Award	2008 Award	2007 Award
Fair value assumptions				
Share price on date of grant (Rand)	**361.97**	172.06	332.06	126.50
Annualised expected volatility (%)	**45.00**	51.66	38.95	37.20
Expected share option life (years)	**3**	3	3	3
Expected dividend yield (%)	**6.94**	10.28	5.81	2.65
Risk-free interest rate (%)	**6.50**	6.14	8.96	7.70

The risk-free interest rate for the period within the contractual term of the conditional awards is based on South African Government bonds.

The historical volatility of the Kumba and, where applicable, the Kumba Resources share price is used in determining the expected volatility.

SARS

During 2007 and 2008 senior employees received annual grants of share appreciation rights, which are rights to receive Kumba shares equal to the value of the difference between the market value of a Kumba share on the day immediately preceding the date of exercise (exercise price) of the right and market value of the Kumba share on the day immediately preceding the date of grant of the right (grant price). No new grants have been made as the rights scheme was replaced with the BSP.

The vesting of the rights is subject to specific performance conditions. The duration and specific nature of the conditions as determined by the remuneration committee of Kumba are stated in the letter of grant for each annual grant. The measurement of the performance conditions will be tested after three years. Retesting of the performance condition is permitted on the first and second anniversary of the end of the performance period. After vesting, the rights will become exercisable.

Kumba will settle the value of the difference between the exercise price and the grant price, by delivering shares to the employee. Rights not exercised within seven years will lapse.

Upon retrenchment, ill-health, disability, retirement or death a proportion of unvested rights shall vest on the date of cessation of employment. The proportion of awards that vest under the SARS would reflect the number of months' service and in the opinion of the remuneration committee the extent to which the performance conditions have been met. On resignation or termination of employment all unexercised (vested and unvested) rights will lapse on the date of cessation of employment.

The main intention of the SARS is to settle the benefits by delivering shares in Kumba to employees.

The aggregate number of shares which may be allocated under the SARS when added to the total number of unexercised SARS, conditional awards under the LTIP and share options allocated to employees under any other managerial share scheme, may not exceed 10% of the number of issued ordinary shares of Kumba.

	Number of rights 2008 Award	Number of rights 2007 Award	Exercise price range (Rand)
Movement in the number of rights granted			
Balance at beginning of year	**215 894**	**252 501**	**124.27 – 332.06**
Rights exercised	**–**	**(145 514)**	**124.27 – 267.61**
Rights lapsed	**(5 370)**	**(2 000)**	**124.27 – 332.06**
Balance at 31 December 2010	**210 524**	**104 987**	**124.27 – 332.06**
Balance at beginning of year	220 390	270 141	124.27 – 332.06
Rights issued	4 004	3 800	247.30 – 332.06
Rights exercised*	–	(2 878)	124.27
Rights lapsed	(8 500)	(18 562)	124.27 – 332.06
Balance at 31 December 2009	**215 894**	**252 501**	**124.27 – 332.06**

* *This relates to employees who are considered good leavers in terms of the share rules.*

	Exercise price range (Rand)	Number of rights	Expiry date
Vesting period of rights granted			
2 to 5 years	124.27 – 332.06	104 987	2014
2 to 5 years	247.30 – 332.06	210 524	2015

	2010 Rm	2009 Rm
Share-based payment expense recognised	**7**	10
Unrecognised share-based payment expense	**1**	8

The rights granted under the SARS are considered equity-settled. The share-based payment expense is measured using the fair value of the rights issued under the SARS which was determined using the Black-Scholes option pricing model.

	2008 Award	2007 Award
Fair value assumptions		
Share price on date of grant (Rand)	332.06	126.50
Weighted average exercise price (Rand)	332.06	124.27
Annualised expected volatility (%)	36.90	37.20
Expected share option life (years)	5.50	4.50
Expected dividend yield (%)	6.30	2.66
Risk-free interest rate (%)	9.12	7.66

The risk-free interest rate for the period within the contractual term of the rights is based on South African Government bonds.

The historical volatility of the Kumba share price is used in determining the expected volatility.

22. EQUITY-SETTLED SHARE-BASED PAYMENTS RESERVE CONTINUED

DBP

The purpose of the DBP was to recognise contributions made by selected employees and to provide for an incentive for their continuing relationship with the group by providing them with the opportunity of receiving shares in Kumba. The scheme is intended as an incentive to ensure that the group attracts and retains the core competencies required for formulating and implementing the group's business strategies.

A participant may sacrifice up to 50% of his post-tax bonus he/she is entitled to under the current short-term incentive scheme in exchange for Kumba shares at the ruling market price. The pledged shares are then held in trust until their vesting date, which is three years after the offer date. The participant will beneficially own the pledged shares in the trust and will consequently receive dividends. The participant will also be entitled to the pledged shares if he/she leaves the employment of Kumba. At vesting date, provided that the participant is still employed by Kumba, the company makes an additional award of shares by matching the shareholding on a one-for-one basis. The participant is not required to pay for the offer of the matching award. Should the participant have traded with his pledged shares during the vesting period, the participant will not be eligible for a matching award on the traded shares. On vesting date, the participant will become unconditionally entitled to both the original pledged shares as well as the matching award, which will then be released to the participant.

	Number of pledged shares	Exercise price range (Rand)
Movement in the number of pledged shares		
Balance at beginning of year	**1 578**	**232.75 – 342.25**
Balance at 31 December 2010	**1 578**	**232.75 – 342.25**
Balance at beginning of year	1 578	232.75 – 342.25
Balance at 31 December 2009	**1 578**	**232.75 – 342.25**

	Exercise price range (Rand)	Number of pledged shares	Expiry date
Vesting period of pledged shares			
1 to 2 years	232.75 – 342.25	1 578	2011

	2010 R'000	2009 R'000
Share-based payment expense recognised	**128**	146
Unrecognised share-based payment expense	**39**	175

The shares awarded under the DBP are considered equity-settled. The share-based payment expense is measured using the fair value of the shares issued under the DBP which was determined using the Black-Scholes option pricing model.

Management Share Option Scheme

Prior to the unbundling of Kumba Resources, senior employees and directors of Sishen Iron Ore Company participated in the Kumba Resources Management Share Option Scheme. At the time of unbundling in order to place, as far as possible, all participants in the Kumba Resources Management Share Option Scheme in the position they would have been in if they remained shareholders of the then Kumba Resources Limited, the schemes continued in Kumba and in Exxaro Resources Limited (Exxaro). The Management Share Option Scheme was adopted by the group post-unbundling subject to certain amendments that were made to the Kumba Resources Management Share Option Scheme. As a result the senior employees and directors that participated in the Kumba Resources Management Share Option Scheme subsequently became participants of the new Kumba Iron Ore Management Share Option Scheme.

Under the Kumba Resources Management Share Option Scheme, share options in Kumba Resources were granted to eligible employees at the market price of the underlying Kumba Resources shares at the date of the grant.

The options granted under the scheme vest over a period of five years commencing on the first anniversary of the offer date except for some share options granted in 2005 that vest in multiples of 33.3% per year over a three-year period commencing on the first anniversary of the offer date. The vesting periods of these share options are as follows:

- 10% after first anniversary of offer date.
- Additional 20% after second anniversary of offer date.
- Additional 20% after third anniversary of offer date.
- Additional 25% after fourth anniversary of offer date.
- Additional 25% after fifth anniversary of offer date.

Share options not exercised lapse by the seventh anniversary of the offer date.

Participants of the Kumba Iron Ore Management Share Option Scheme and the Exxaro Resources Management Share Option Scheme exchanged each of their Kumba Resources share options for a share option in Kumba and Exxaro. The strike price of each Kumba Resources option was apportioned between Kumba and Exxaro share options with reference to the volume weighted average price (VWAP) at which Kumba (67.19%) and Exxaro (32.81%) traded for the first 22 days post the implementation of the unbundling transaction.

The Sishen Iron Ore Company employees' share options in the Kumba Iron Ore Management Share Option Scheme vest on the dates that the original share options would have vested and their Exxaro share options vest on the earlier of:

- The date that the original share options would have vested; or
- Twenty-four months from the date of unbundling.

The Exxaro share options lapsed 42 months after the date of unbundling (April 2010).

22. EQUITY-SETTLED SHARE-BASED PAYMENTS RESERVE CONTINUED

Management Share Option Scheme continued

	Number of share options	Option price range (Rand)
Movement in the number of share options granted		
Balance at beginning of year	**798 620**	**15.38 – 97.74**
Share options exercised	**(462 752)**	**15.38 – 97.74**
Share options forfeited	**(14 720)**	**75.00**
Balance at 31 December 2010	**321 148**	**15.38 – 97.74**
Balance at beginning of year	1 404 560	7.89 – 97.74
Share options exercised	(597 910)	7.89 – 97.74
Share options forfeited	(8 030)	26.40 – 37.62
Balance at 31 December 2009	**798 620**	**15.38 – 97.74**

	Number of share options 2010	Number of share options 2009
Vesting period of share options granted		
Already vested	**177 168**	456 870
Within 1 year	**143 980**	190 410
1 to 2 years	**–**	151 340
	321 148	**798 620**

Range of exercise prices (Rand)	Weighted average option price (Rand)	Number of share options	Expiry date
26.40 – 40.18	27.21	40 580	2011
37.62 – 67.26	45.49	66 908	2012
68.53 – 97.74	81.40	213 660	2013
		321 148	

	2010 Rm	2009 Rm
Share-based payment expense recognised	**2**	4
Unrecognised share-based payment expense (2010: <R1 million)	**0**	2

The share options granted under the Management Share Option Scheme are considered equity-settled. The share-based payment expense is measured using the fair value of the share options issued under the Management Share Option Scheme which was determined using the Black-Scholes option pricing model.

	Before unbundling	After unbundling Kumba	After unbundling Exxaro
Fair value assumptions			
Share price (Rand)	142.00	110.00	39.00
Weighted average exercise price (Rand)	58.78	39.49	19.29
Annualised expected volatility (%)	37.90	37.90	37.90
Expected share option life (years)	4.34	4.34	4.34
Expected dividend yield (%)	4.00	4.00	4.00
Risk-free interest rate	8.24	8.24	8.24

The risk-free interest rate for the period within the contractual term of the share options is based on South African Government bonds.

The historical volatility of the Kumba Resources share price is used in determining the expected volatility.

Phantom Share Option Scheme

As a result of restrictions related to the empowerment transaction of Kumba Resources Limited, certain past and present executives and senior managers who participated in the Kumba Resources Management Share Option Scheme were not able to receive certain grants of options which would have been made in the ordinary course of operations. The human resources and remuneration committee of Kumba Resources Limited at that time consequently awarded "phantom share options" to the affected participants.

The accounting costs of the Kumba Phantom Share Option Scheme require recognition under IFRS 2 using the treatment for cash-settled share-based payments.

During 2010 the remaining 9 900 share options were exercised at a volume weighted average price of R428.28 (2009: nil). No new options have been granted to management or to senior staff following unbundling. At 31 December 2010, no phantom share options were held by Kumba employees.

Envision

The implementation objective of the SIOC Employee Share Participation Scheme (Envision) was to provide an incentive and retention initiative to employees who do not participate in the other share schemes of the group that are permanently employed by SIOC in South Africa.

The acquisition of the interest in SIOC by Envision was funded by SIOC in terms of a contribution agreement. The scheme will have a first term of five years and may have a second term on the same basis as the first term, starting on the expiry of the first term. Envision holds SIOC shares for the benefit of employee beneficiaries.

Employee beneficiaries of Envision are entitled to receive a portion of all dividends received by Envision in respect of its underlying shareholding in SIOC and a distribution at the end of the first term (five years) of the SIOC shares remaining in Envision after the repurchase of certain SIOC shares in terms of the subscription agreement. Each employee will be entitled to receive Kumba shares which were swapped for the SIOC shares using the specific price earnings ratio of Kumba and the most recent earnings of SIOC at the end of the first term.

22. EQUITY-SETTLED SHARE-BASED PAYMENTS RESERVE CONTINUED

Envision continued

	Number of share options	Weighted average option price (Rand)
Movement in the number of share options granted		
Balance at beginning of year	**15 353 793**	**22.84**
Share options issued	**655 811**	**22.84**
Share options lapsed	**(387 033)**	**22.84**
Balance at 31 December 2010	**15 622 571**	**22.84**
Balance at beginning of year	15 177 204	22.84
Share options issued	798 566	22.84
Share options lapsed	(621 977)	22.84
Balance at 31 December 2009	**15 353 793**	**22.84**

	Number of share options	Expiry date
Vesting period of share options granted		
Within 1 year	15 622 571	2011

	2010 Rm	2009 Rm
Share-based payment expense recognised	**123**	96
Unrecognised share-based payment expense	**119**	168

Envision is considered equity-settled. The share-based payment expense is measured using the fair value of the awards issued under the scheme which was determined using the Monte Carlo option pricing model.

Fair value assumptions	
Share price on date of grant (Rand)	39.48
Weighted average exercise price (Rand)	22.84
Annualised expected volatility (%)	45.00
Expected share option life (years)	5
Expected dividend yield (%)	5.25
Risk-free interest rate (%)	8.00

The risk-free interest rate for the period within the contractual term of the share options is based on South African Government bonds.

The historical volatility of the Kumba and Kumba Resources share price is used in determining the expected volatility.

23. NON-CONTROLLING INTEREST

	2010 Rm	Restated 2009 Rm
Balance at beginning of year	**1 650**	1 647
Change in accounting policy – share-based payments classification	**–**	2
Restated balance at beginning of year	**1 650**	1 649
Profit for the year	**3 966**	1 829
Exxaro	**3 671**	1 762
SIOC Community Development SPV	**234**	8
Envision	**61**	59
Dividends paid	**(1 834)**	(1 770)
Exxaro	**(1 811)**	(1 744)
SIOC Community Development SPV	**(4)**	(8)
Envision	**(61)**	(59)
Recoupment of Envision dividend (Refer to note 23)	**42**	41
Interest in movement in equity reserves	**256**	(58)
Change in effective ownership of SIOC (Refer to note 29)	**301**	–
Equity-settled share-based payments reserve	**(8)**	15
Share-based payments classification	**–**	(15)
Foreign currency translation reserve	**(49)**	(65)
Cash flow hedge accounting reserve	**12**	7
Balance at end of year	**4 038**	**1 650**

The recoupment of the Envision dividend of R42 million (2009: R41 million) arises from SIOC's participation as income beneficiary in Envision.

24. CASH GENERATED FROM OPERATIONS

	2010 Rm	Restated 2009 Rm
Operating profit	**25 131**	12 880
Adjusted for		
Foreign exchange differences on translation of foreign operations	**155**	123
Depreciation of property, plant and equipment	**765**	530
Movement in provisions	**108**	(222)
Unrealised foreign currency revaluations and fair value adjustments	**61**	(61)
Reconditionable spares used	**2**	–
Loss/(profit) on disposal or scrapping of property, plant and equipment	**5**	(35)
Movement in non-current financial assets and prepayments	**(118)**	(41)
Equity-settled share-based payment expenses	**195**	138
Cash-settled share-based payment provision	**11**	4
Cash flows from operations	**26 315**	13 316
Working capital movements		
Increase in inventories	**(607)**	(931)
(Increase)/decrease in trade and other receivables	**(1 379)**	14
Increase in trade and other payables	**1 226**	346
	25 555	**12 745**

25. NET FINANCE COSTS PAID

	2010 Rm	2009 Rm
Net financing costs as per income statement	**(29)**	(127)
Adjusted for:		
Notional interest on non-current provisions (Refer to note 10)	**42**	14
Capitalisation of borrowing costs (Refer to note 18)	**(296)**	(174)
	(283)	**(287)**

26. TAXATION PAID

	2010 Rm	2009 Rm
Net taxation receivable at beginning of year	**109**	547
Income taxation per the income statement (Refer to note 19)	**(7 203)**	(3 669)
Translation of taxation for foreign operations	**2**	(1)
	(7 092)	(3 123)
Net current taxation liability/(asset) per balance sheet	**61**	(109)
Taxation paid per the cash flow statement	**(7 031)**	**(3 232)**
Comprising		
Normal taxation		
South Africa	**(7 029)**	(3 204)
Foreign	**(2)**	(28)
	(7 031)	**(3 232)**

27. DIVIDENDS PAID

	2010 Rm	2009 Rm
Dividends paid to owners of Kumba		
Dividends per the statement of changes in equity	**(6 756)**	(6 478)
Recoupment of Envision dividend (Refer to note 23)	**42**	41
	(6 714)	**(6 437)**
Dividends paid to non-controlling shareholders		
Dividends per the statement of changes in equity	**(1 834)**	(1 770)
Recoupment of Envision dividend (Refer to note 23)	**(42)**	(41)
	(1 876)	**(1 811)**

28. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

	2010 Rm	2009 Rm
Replacement of property, plant and equipment	**(1 560)**	(1 142)
Reconditionable spares	**(64)**	(75)
Investments to maintain operations	**(1 624)**	(1 217)
Investment to expand operations	**(3 099)**	(2 779)
Additions per the cash flow statement	**(4 723)**	(3 996)
Borrowing costs capitalised (Refer to notes 18 and 25)	**(296)**	(174)
Additions per note 1	**(5 019)**	**(4 170)**

29. CHANGE IN OWNERSHIP: DECONSOLIDATION OF SIOC COMMUNITY DEVELOPMENT SPV

On 17 August 2010 the SIOC Community Development SPV (Pty) Limited (the SPV) redeemed the remaining R38 million of the R458 million redeemable preference shares issued by the SPV to facilitate the acquisition of its 3% shareholding in SIOC, in September 2006.

The SPV was previously consolidated into Kumba as a special purpose entity, and the SPV's 3% shareholding in SIOC formed part of Kumba's controlling interest in SIOC. At the redemption of the outstanding preference shares by the SPV, the control over the SPV that was established in terms of the preference share agreement, ceased and Kumba consequently deconsolidated the SPV effective from this date. The non-controlling interest in SIOC therefore increased by 3% and the controlling and non-controlling interests were adjusted to reflect the changes in the relative interests in SIOC.

The change in non-controlling interest was recognised directly in equity and attributed to the owners of Kumba as no consideration was received by Kumba. This transaction resulted in an increase of R301 million in non-controlling interests with a corresponding decrease in the following reserves:

	2010 Rm
Equity-settled share-based payments reserve	16
Foreign currency translation reserve	11
Cash flow hedge accounting reserve	1
Retained earnings	273
Total	**301**
Deconsolidation of the SPV	
Cash and cash equivalents	147
Other payable	(8)
Net asset value of SPV on deconsolidation	139
Vesting of IFRS 2 share-based payment reserve related to the SPV	(153)
Balance of equity-settled share-based payment reallocated to retained earnings on deconsolidation	(14)
Cash and cash equivalents held by SPV on deconsolidation	147
Net cash outflow on deconsolidation	147

30. ACQUISITION OF BUSINESS

On 15 July 2009 SIOC acquired Taurus Investments SA, an Anglo American company incorporated in Luxembourg for a cash consideration of R115 million (US$14 million). This company was acquired to extend the benefit of the group's offshore operations by creating a European marketing hub principally to service the European market as well as to establish collaboration with Anglo American plc's current operations in Luxembourg. Taurus was renamed Kumba International Trading SA.

The effective date of this transaction was 15 July 2009, as this is the date on which SIOC effectively obtained control by acquiring all the issued share capital.

The purchase consideration of US$14 million (R115 million) was allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the effective date. No goodwill was recognised as part of the acquisition.

	2009 Rm
Cash paid on acquisition of business	115
Purchase consideration	**115**
Fair value of net assets acquired	115
Purchase consideration	**115**
Cash paid on acquisition of business	115
Cash and cash equivalents held by business on acquisition (< R1 million)	–
Net cash outflow on acquisition of business	**115**

31. FINANCIAL INSTRUMENTS

The group is exposed to credit risk, liquidity risk and market risk (currency risk and interest rate risk) from the use of financial instruments. Overall responsibility for establishment and oversight of the risk management framework rests with the board of directors. The risk committee, a committee of the board, is responsible for the development and monitoring of the group's risk management process.

The group maintains an integrated, enterprise-wide, risk management programme (IRM). The group applies a logical, systematic and repetitive methodology to identify, analyse, assess, treat and monitor all risks, whether they are insurable or not. The risk management process is continuous, with well-defined steps, which support better decision-making by contributing a greater insight into risks and their impacts. Risks from all sources are identified and once they pass the materiality threshold, a formal process begins in which causal factors and consequences are identified and the correlation with other risks and the current risk mitigating strategy is reviewed. One of the challenges is to ensure that mitigating strategies are geared to deliver reliable and timely risk information to support better decision-making.

The risk assessment and reporting criteria are designed to provide the executive committee and the board, via the risk committee, with a consistent, enterprise-wide perspective of the key risks. The reports which are submitted monthly to the executive committee and quarterly to the risk committee include an assessment of the likelihood and impact of risks materialising, as well as risk mitigation initiatives and their effectiveness.

In conducting its review of the effectiveness of risk management, the board considers the key findings from the ongoing monitoring and reporting processes, management assertions and independent assurance reports. The board also takes into account material changes and trends in the risk profile and consider whether the control system, including reporting, adequately supports the board in achieving its risk management objectives.

SIOC in conjunction with Anglo American SA Finance Limited (a subsidiary of the ultimate holding company) provide a treasury function to the group, coordinates access to domestic and international financial markets, and manages the financial risks relating to the group's operations.

31. FINANCIAL INSTRUMENTS CONTINUED

Measurement basis of financial instruments

	Notes	Amortised cost Rm	Fair value through profit or loss Rm	Total Rm
2010				
Financial assets				
Investments held by the environmental trust[1]	4	**301**	**71**	**372**
Trade receivables	7	**2 058**	**–**	**2 058**
Other receivables (excluding VAT and prepayments)	7	**265**	**–**	**265**
Derivative financial instruments	7	**–**	**78**	**78**
Cash and cash equivalents	8	**4 855**	**–**	**4 855**
Financial liabilities				
Interest-bearing borrowings	9	**(3 185)**	**–**	**(3 185)**
Trade payables	12	**(1 595)**	**–**	**(1 595)**
Other payables	12	**(1 510)**	**–**	**(1 510)**
Derivative financial instruments	12	**–**	**(30)**	**(30)**
		1 189	**119**	**1 308**
2009				
Financial assets				
Investments held by the environmental trust[1]	4	197	82	279
Trade receivables	7	1 606	–	1 606
Other receivables (excluding VAT and prepayments)	7	208	–	208
Derivative financial instruments	7	–	43	43
Cash and cash equivalents	8	891	–	891
Financial liabilities				
Interest-bearing borrowings	9	(3 914)	–	(3 914)
Trade payables	12	(929)	–	(929)
Other payables	12	(1 109)	–	(1 109)
Derivative financial instruments	12	–	(2)	(2)
		(3 050)	**123**	**(2 927)**

1 *Equity-linked deposits included in 'Investments held by environmental trust' in the balance sheet are classified as at fair value through profit or loss as these deposits are managed and their performance is evaluated on a fair value basis, in accordance with documented risk management policies.*

Credit risk

Credit risk is the risk of financial loss to the group if a counterparty to a financial instrument fails to meet its contractual obligations. The group limits its counterparty exposure arising from money market and derivative instruments by dealing only with well-established financial institutions of high credit standing.

The group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded are spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board annually.

The group has established policies and guidelines that are followed for specific exposure limits when transacting in derivative financial instruments.

The carrying amount of the financial assets as set out above, represents the group's maximum exposure to credit risk.

An analysis of the credit risk of these financial assets is provided under the individual notes specified above. The group does not hold any collateral in respect of its financial assets subject to credit risk.

Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its financial obligations as they become due. The group manages liquidity risk by ensuring sufficient cash is available to meet expected operational expenses as well as sufficient cash resources and credit facilities to meet its liabilities when due. The group's credit facilities are detailed under note 9 'Interest-bearing borrowings' and the maturity profile of financial assets are analysed on the following page.

31. FINANCIAL INSTRUMENTS CONTINUED

Maturity profile of the group's financial instruments

	Notes	Within 1 year Rm	2 to 3 years Rm	3 or more years Rm	Total Rm
2010					
Financial assets					
Investments held by the environmental trust	4	–	–	372	372
Trade receivables	7	2 058	–	–	2 058
Other receivables (excluding VAT and prepayments)	7	264	–	1	265
Cash and cash equivalents	8	4 855	–	–	4 855
Derivative financial instruments	7	78	–	–	78
Financial liabilities					
Interest-bearing borrowings	9	–	(3 195)	–	(3 195)
Trade payables	12	(1 595)	–	–	(1 595)
Other payables	12	(1 510)	–	–	(1 510)
Derivative financial instruments	12	(30)	–	–	(30)
		4 120	(3 195)	373	1 298
2009					
Financial assets					
Investments held by the environmental trust	4	–	–	279	279
Trade receivables	7	1 606	–	–	1 606
Other receivables (excluding VAT and prepayments)	7	208	–	–	208
Cash and cash equivalents	8	891	–	–	891
Derivative financial instruments	7	43	–	–	43
Financial liabilities					
Interest-bearing borrowings	9	(55)	(3 195)	(700)	(3 950)
Trade payables	12	(929)	–	–	(929)
Other payables	12	(1 109)	–	–	(1 109)
Derivative financial instruments	12	(2)	–	–	(2)
		653	(3 195)	(421)	(2 963)

Market risk

Market risk includes currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate in Rand due to changes in foreign exchange rates. The group undertakes transactions denominated in currencies other than the respective functional currencies of the entities within the group. Through these transactions the group is exposed to currency risk.

Kumba's iron ore export prices are determined in US Dollar and the company negotiates iron ore prices in that currency with customers. Currency movements of the US Dollar against the Rand therefore could have a significant effect on the financial position and results of Kumba. The group undertakes transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise which may expose it to economic or accounting losses. Treasury continues to sell US Dollar export proceeds on a short-term rolling forward basis with the view of reducing any short-term cash borrowings and matching the cash requirements of the company on a day-to-day basis. US Dollar export proceeds acts as a natural hedge for operating activities while major capital expenditure is hedged.

The average US Dollar/Rand exchange rate for 2010 of US$1: R7.30 (2009: US$1: R8.39) has been used to translate income and cash flow statements, whilst the balance sheet has been translated at the closing rate at the last day of the reporting year using an exchange rate of US$1: R6.63 (2009: US$1: R7.39).

The group's financial instrument exposure to currency risk is analysed under the individual note for each financial instrument at balance sheet date. The net currency exposure of the group's financial instruments, excluding derivatives, is analysed on the following page.

31. FINANCIAL INSTRUMENTS CONTINUED

Net currency exposure of the group's financial instruments, excluding derivatives

	Financial assets Rm	Financial liabilities Rm	Net exposure Rm
2010			
Rand	**4 265**	**(6 110)**	**(1 845)**
US Dollar	**3 270**	**(143)**	**3 127**
Euro	**8**	**(37)**	**(29)**
Other	**7**	**–**	**7**
	7 555	**(6 290)**	**1 260**
2009			
Rand	1 151	(5 722)	(4 571)
US Dollar	1 826	(192)	1 634
Euro	4	(31)	(27)
Other	3	(7)	(4)
	2 984	**(5 952)**	**(2 968)**

The group uses derivative financial instruments to reduce the uncertainty over future cash flows arising from movements in currencies in which it transacts. Currency risk is managed within board-approved policies and guidelines, which restrict the use of derivative financial instruments to the hedging of specific underlying currencies. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts (FECs).

The group maintains a fully covered exchange rate position in respect of imported capital equipment resulting in these exposures being fully converted to Rand. Trade-related import exposures are managed through the use of natural hedges arising from export revenue as well as through short-term FECs.

Outstanding exposure at 31 December in respect of derivative financial instruments

	Foreign amount (m)	Market related value Rm	Contract value Rm	Recognised fair value in equity Rm
Derivative instruments – cash flow hedges				
FECs related to commitments for the import of capital equipment				
2010				
US Dollar	**–**	**2**	**2**	**–**
Euro	**3**	**27**	**30**	**3**
		29	**32**	**3**
2009				
US Dollar	–	2	2	–
Euro	2	27	28	1
		29	**30**	**1**

	Foreign amount (m)	Market related value Rm	Contract value Rm	Recognised fair value in profit or loss Rm
Derivative instruments – held for trading				
2010				
FECs related to the repatriation of foreign cash receipts				
US Dollar	**130**	**863**	**925**	**62**
Related to commitments for the import of capital equipment				
US Dollar	**(15)**	**(99)**	**(107)**	**(8)**
Euro	**–**	**(3)**	**(6)**	**(3)**
		761	**812**	**51**
2009				
FECs related to the repatriation of foreign cash receipts				
US Dollar	172	1 278	1 320	42
		1 278	**1 320**	**42**

Sensitivity analysis

A movement in exchange rates of 5%, with all other variables held constant, against the US Dollar would have increased/(decreased) profit or loss and equity by the amounts shown below.

The impact on equity includes the after tax impact of the movements in profit or loss. The analysis has been performed on the basis of the change occurring at the start of the reporting period and is performed on the same basis for 2009.

This analysis considers the impact of changes in foreign exchange rates on profit or loss and equity, excluding foreign exchange translation differences resulting from the translation of group entities that have a functional currency different from the presentation currency, into the group's presentation currency (and recognised in the foreign currency translation reserve).

	Impact on profit or loss		Impact on equity	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
2010				
US Dollar	**58**	**(58)**	**42**	**(42)**
2009				
US Dollar	16	(16)	12	(12)

31. FINANCIAL INSTRUMENTS CONTINUED

Interest rate risk

Interest rate risk arises from the group's floating rate borrowings and the floating rate cash balances which exist. The company is not exposed to fair value interest rate risk as the company does not have any fixed interest-bearing financial instruments carried at fair value. As part of the process of managing the company's interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates. For further details on long-term borrowings refer to note 9 'Interest-bearing borrowings'.

Sensitivity analysis

Changes in market interest rates affect the interest income or expense of floating rate financial instruments. A change in the market interest rate of 50 basis points, with all other variables held constant, would have increased/(decreased) profit or loss and equity by the amounts shown below.

The impact on equity includes the after tax impact of the movements in profit or loss. The analysis has been performed on the basis of the change occurring at the start of the reporting period and is performed on the same basis for 2009.

	Impact on profit or loss		Impact on equity	
	Increase Rm	Decrease Rm	Increase Rm	Decrease Rm
2010				
Floating interest rate instruments	**(8)**	**8**	**(6)**	**6**
2009				
Floating interest rate instruments	15	(15)	11	(11)

Price risk

The group is not exposed to commodity price risk, as the value of its financial assets or liabilities are not subject to commodity price movements.

The group is exposed to equity securities price risk from equity-linked investments held by the environmental trust. The impact of fair value fluctuations of these investments on the profit or loss and equity for the year ended at 31 December is not significant. Refer to note 4 'Investments held by environmental trust'.

Fair value

The fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate the respective carrying amounts of these financial assets and financial liabilities because of the short period to maturity of these instruments. The fair value of interest-bearing borrowings is disclosed in note 8.

Fair value measurements recognised in the group balance sheet

	Level 1[1] Rm	Level 2[2] Rm	Level 3[3] Rm
2010			
Investments held by the environmental trust	**–**	**71**	**–**
Derivative financial assets	**78**	**–**	**–**
Derivative financial liabilities	**(30)**	**–**	**–**
	48	**71**	**–**
2009			
Investments held by the environmental trust	–	82	–
Derivative financial assets	43	–	–
Derivative financial liabilities	(2)	–	–
	41	**82**	**–**

1 Level 1 fair value measurements are derived from unadjusted quoted prices in active markets for identical assets or liabilities;

2 Level 2 fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly (i.e. derived from prices);

3 Level 3 fair value measurements are derived from valuation techniques that include inputs that are not based on observable market data.

There were no transfers between level 1 and level 2 during the year.

Fair value gains and losses recognised in operating profit are disclosed in note 17 – Finance gains/(losses). All gains and losses included in comprehensive income relate to cash flow hedges in respect of future commitments for the import of capital equipment held at the end of the reporting period.

Capital management

The group strives to maintain strong credit ratings. In managing its capital, the group focuses on a sound net debt position, return on shareholders' equity (or return on capital employed) and the level of dividends to shareholders. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

The group's net debt position at balance sheet dates was as follows:

	2010 Rm	2009 Rm
Long-term interest-bearing borrowings	**3 185**	3 859
Short-term interest-bearing borrowings	**–**	55
Total	**3 185**	3 914
Cash and cash equivalents	**(4 855)**	(891)
Net (cash)/debt	**(1 670)**	**3 023**
Total equity	**18 376**	**8 956**

It is the intention of management to fund Kumba's capital expansion projects through debt financing and cash resources.

The undrawn short- and long-term borrowing facilities available to the group is R9.3 billion (2009: R8.1 billion). Kumba was not in breach of any of its covenants during the current year.

32. EMPLOYEE BENEFITS

Independent funds provide pension and other benefits for all permanent employees and their dependants. At the end of 2010 and 2009 the following funds were in existence:

- Kumba Iron Ore Selector Pension Fund and Kumba Iron Ore Selector Provident Fund, both operating as defined contribution funds; and
- Iscor Employees Umbrella Provident Fund, operating as a defined contribution fund.

Members pay contributions of 7% and an employers' contribution of 10% is expensed as incurred.

All funds are governed by the South African Pension Funds Act of 1956.

Defined contribution funds

Membership of each fund and employer contributions to each fund were as follows:

	2010		2009	
	Working members (number)	**Employer contributions Rm**	Working members (number)	Employer contributions Rm
Kumba Iron Ore Selector Pension and Provident Funds	**2 066**	**68**	1 771	59
Iscor Employees' Umbrella Provident Fund	**3 779**	**50**	3 477	40
Total	**5 845**	**118**	**5 248**	**99**

Due to the nature of these funds, the accrued liabilities definition equates to the total assets under control of these funds.

Medical fund

The group contributes to defined benefit medical aid schemes for the benefit of permanent employees and their dependants. The contributions charged against income amounted to R76 million (2009: R61 million). The group has no obligation to fund medical aid contributions for current or retired employees.

33. GUARANTEES AND LEGAL PROCEEDINGS

Guarantees

	2010 Rm	2009 Rm
Environmental trust closure liability	**583**	14
	583	**14**

Legal proceedings

ArcelorMittal SA Limited (ArcelorMittal)

SIOC notified ArcelorMittal on 5 February 2010, that it was no longer entitled to receive 6.25Mtpa of iron ore contract mined by SIOC at cost plus 3% from Sishen Mine, as a result of the fact that ArcelorMittal had failed to convert its old order mining rights. This contract mining agreement, concluded in 2001, was premised on ArcelorMittal owning an undivided 21.4% interest in the mineral rights of Sishen Mine.

As a result of ArcelorMittal's failure to convert its old order mining right, the contract mining agreement automatically lapsed and became inoperative in its entirety as of 1 May 2009.

As a result, a dispute arose between SIOC and ArcelorMittal, which SIOC has referred to arbitration. Both parties have exchanged their respective pleadings, and the arbitration panel has been appointed.

SIOC and ArcelorMittal reached an interim pricing arrangement in respect of the supply of iron ore to ArcelorMittal from the Sishen Mine. This arrangement will endure until 31 July 2011.

21.4% undivided share of the Sishen Mine mineral rights

After ArcelorMittal failed to convert its older rights, SIOC applied for the residual 21.4% mining right previously held by ArcelorMittal and its application was accepted by DMR on 4 May 2009. A competing application for a prospecting right over the same area was also accepted by the DMR. SIOC objected to this acceptance. Notwithstanding this objection, a prospecting right over the 21.4% interest was granted by the DMR to Imperial Crown Trading 289 (Pty) Limited (ICT). SIOC initiated a review application in the North Gauteng High Court on 21 May 2010 in relation to the decision of the DMR to grant a prospecting right to ICT.

SIOC initiated an application on 14 December 2010 to interdict ICT from applying for a mining right in respect of the Sishen Mine and the DMR from accepting an application from ICT or granting such 21.4% mining right to ICT pending the final determination of the review application. This interdict application is currently pending.

The DMR informed SIOC on 12 January 2011 that ICT had applied for a 21.4% mining right over Sishen Mine on 9 December 2010, and that the DMR had accepted this application on 23 December 2010. The DMR's acceptance of the application means that the mining right application will now be evaluated according to the detailed process stipulated in the Mineral Resources & Petroleum Development Act 2004 before a decision is made as to whether or not to grant the mining right.

SIOC does not believe that it was lawful for the DMR to have accepted ICT's application pending the High Court Review initiated in May 2010, and has formally objected to, and appealed against, the DMR's acceptance of ICT's mining right application. SIOC has also requested that its interdict application be determined on an expedited basis, in order prevent the DMR from considering ICT's mining rights application until the finalisation of the review proceedings.

In addition, SIOC is in the process of challenging the DMR's decision of 25 January 2011 to reject SIOC's May 2009 application to be granted the residual 21.4% mining right. Finally, on 26 January 2011, SIOC lodged a new application for the 21.4% mining right.

On 4 February 2011, SIOC made an application to join ArcelorMittal as a respondent in the review process.

SIOC will continue to take the necessary steps to protect its shareholders' interests in this regard.

33. GUARANTEES AND LEGAL PROCEEDINGS CONTINUED

Lithos Corporation (Pty) Limited (Lithos)

Lithos is claiming US$421 million from Kumba for damages in relation to the Falémé project in Senegal. Kumba continues to defend the merits of the claim and is of the view, and has been so advised, that the basis of the claim and the quantification thereof is fundamentally flawed. The trial date has been postponed indefinitely. No liability has been recognised for this litigation.

La Société des Mines de Fer du Sénégal Oriental (Miferso)

This matter, reported on in previous financial years, has been resolved. Refer to note 35.

34. COMMITMENTS

Operating lease commitments

	2010 Rm	2009 Rm
The future minimum lease payments under non-cancellable operating leases are as follows:		
Property		
Within 1 year	14	7
Between 1 and 2 years	40	20
2 to 5 years	47	54
More than 5 years	–	27
	101	108
Plant and equipment		
Within 1 year	2	10
Between 1 and 2 years	–	2
	2	12
Computer equipment		
2 to 5 years	–	2
	–	2
Other		
2 to 5 years	1	1
Total operating lease commitments	104	123

Commitments – shipping services

	2010 Rm	2009 Rm
The future commitments under contracts for affreightment are as follows:		
Within 1 year	–	99
The future commitments for spot vessels are as follows:		
Within 1 year	73	–
	73	99

35. CONTINGENT ASSETS AND LIABILITIES

35.1 Falémé Project

Kumba initiated arbitration proceedings against Miferso and the Republic of Senegal under the rules of the Arbitration of the International Chamber of Commerce in 2007, in relation to the Falémé Project.

Following the arbitration award rendered in July 2010, a mutually agreed settlement was concluded between the parties. The parties agreed that the precise terms of the settlement agreement will remain confidential. The settlement amount will be recovered in equal instalments from the Republic of Senegal over a five-year period from 2011, on which contingent legal costs will be payable. A portion of the amount recovered will be committed over a five year-period to social and community development projects to benefit the population of Senegal.

35.2 Environmental obligations

During 2010 SIOC issued financial guarantees to the DMR to the value of R567 million in respect of the environmental rehabilitation and decommissioning obligations of Sishen Mine.

35.3 Other

There have been no other significant changes in the contingent assets and liabilities disclosed at 31 December 2009.

36. POST-BALANCE SHEET EVENTS

Kumba entered into a general share repurchase programme to repurchase ordinary shares which programme continued into Kumba's closed period. The closed period commenced on 31 December 2010 and ended with the release of the company's annual results on 10 February 2011. In terms of the programme the broker has been mandated to repurchase 349 800 ordinary shares in the share capital of the company. The repurchase was effected within the limits of the programme, as per the special resolution approved by shareholders at the annual general meeting held on 31 March 2010 and the JSE.

During the period before 31 December 2010, Kumba purchased 124 515 shares and the remaining 225 285 shares under the programme were purchased subsequent to 31 December 2010 for a cash consideration of R99 million.

A final dividend of R21.00 per share was declared on 9 February 2011 from profits accrued during the financial year ended 31 December 2010. The total dividend for the year amounted to R34.50 per share. The estimated total cash flow of the final Kumba dividend of R21.00 per share, paid on 22 March 2011, is R6.8 billion.

The directors are not aware of any other matter or circumstance arising since the end of the year and up to the date of this report that affect the amounts recognised in the financial statements for the year ended 31 December 2010, not otherwise dealt with in this report.

37. RELATED PARTY TRANSACTIONS

During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase of goods and services with the ultimate holding company, Anglo American plc, its subsidiaries, associates and joint ventures. Certain deposits are also placed with the holding company (refer to note 8). The effect of these transactions is included in the results of the group. These transactions occurred under terms that are no less favourable than those arranged with third parties.

Holding company

Anglo American plc is the group's ultimate holding company. The interest in the group is held through a 65.25% holding by Anglo South Africa Capital (Pty) Limited (2009: 62.76%).

Subsidiaries

Details of investments in and loans to/(from) subsidiaries are disclosed in annexure 1.

Associates and joint ventures

Details of investments in associates and joint ventures are disclosed in note 3 of the group financial statements and in annexure 2.

Entities with significant influence over SIOC

Exxaro is SIOC's 20% black economic empowerment shareholder. Details of dividends paid to Exxaro as well as its proportionate share of earnings for the year is detailed in note 23 of the group financial statements.

Special purpose entities

The group has an interest in the following special purpose entities which are consolidated:

Entity	Nature of business
Envision	Investment vehicle
Kumba Iron Ore Rehabilitation Trust	Trust fund for mine closure

Directors and senior management

Details relating to directors' and the group's executive committee remuneration and shareholdings (including share options) are disclosed in the remuneration report on pages 18 to 26.

Shareholders

The principal shareholders of the company are detailed under 'Shareholder analyses' on page 84.

Material related party transactions

	2010 Rm	2009 Rm
Purchase of goods and services and finance charges		
Subsidiary of the ultimate holding company	**22**	–
Fellow subsidiaries	**166**	137
Associates and joint ventures	**174**	182
Enitities with significant influence over SIOC	**53**	63
	415	**382**
Sale of goods and services and finance income		
Holding company	**4**	92
Fellow subsidiaries	**–**	30
	4	**122**
Amounts owing to related parties (after eliminating intercompany balances)		
Holding company		
Derivative financial instruments	**30**	2
Fellow subsidiaries		
Trade payables	**15**	13
	45	**15**
Amounts owing by related parties (after eliminating intercompany balances)		
Subsidiaries of ultimate holding company	**1 472**	43
Interest receivable	**3**	–
Cash and cash equivalents	**1 391**	–
Derivative financial instruments	**78**	43
Fellow subsidiaries		
Trade receivables	**3**	5
Associates and joint ventures		
Loans	**29**	20
	1 504	**68**

Deconsolidation of subsidiary

On 17 August 2010 the SIOC Community Development SPV (the SPV) redeemed the remaining R38 million of the R458 million redeemable preference shares issued by the SPV to facilitate the structuring of its 3% shareholding in SIOC, purchased with the proceeds of the issue in September 2006 (refer to note 29).

Acquisition of business

On 15 July 2009 SIOC acquired Taurus Investments SA, an Anglo American company incorporated in Luxembourg from Anglo American Luxembourg SARL for a cash consideration of R115 million (US$14 million) (refer to note 30).

38. SEGMENT REPORTING

The Kumba executive committee considers the business principally according to the nature of the products and service provided, with the identified segments each representing a strategic business unit.

The total reported segment revenue comprises revenue from external customers as the group does not have any inter-segment revenue and is measured in a manner consistent with that disclosed in the income statement.

The performance of the operating segments are assessed based on a measure of earnings before interest and tax (EBIT), which is consistent with 'Operating profit' in the financial statements. Finance income and finance costs are not allocated to segments, as treasury activity is managed on a central group basis.

Total segment assets' comprise finished goods inventory only, which is allocated based on the operations of the segment and the physical location of the asset.

'Other segments' comprise corporate, administration and other expenditure not allocated to the reported segments.

	Sishen Mine Rm	Thabazimbi Mine Rm	Kolomela Mine[1] Rm	Shipping operations Rm	Total Rm
2010					
Revenue (from external customers)	**35 159**	**666**	**–**	**2 879**	**38 704**
EBIT	**25 540**	**(44)**	**–**	**319**	**25 815**
Total segment assets	**682**	**306**	**–**	**–**	**988**
2009					
Revenue (from external customers)	19 473	543	–	3 392	23 408
EBIT	12 677	44	–	675	13 396
Total segment assets	724	240	–	–	964

1 *Kolomela Mine represents a strategic business unit for Kumba, although it does not yet qualify as a reportable segment in terms of IFRS 8,* Operating Segments. *The development of the mine is well advanced and remains on budget and on schedule to deliver initial production during the first half of 2012.*

Revenue from external customers analysed by goods and services

	2010 Rm	2009 Rm
Sale of products*	**35 825**	20 016
Shipping services	**2 879**	3 392
Revenue per the income statement	**38 704**	23 408
Reconciliation of EBIT to total profit before taxation		
Total EBIT for reportable segments	**25 815**	13 396
Other segments	**(684)**	(516)
Operating profit	**25 131**	12 880
Net finance costs	**(29)**	(127)
Profit before taxation per the income statement	**25 102**	**12 753**
Reconciliation of reportable segments' assets to total assets		
Segment assets for reportable segments	**988**	964
Other segments and WIP inventory	**2 114**	1 595
Inventory per balance sheet	**3 102**	2 559
Other current assets	**7 975**	3 217
Non-current assets	**16 798**	12 031
Total assets per the balance sheet	**27 875**	**17 807**

* *Derived from extraction, production and selling of iron ore.*

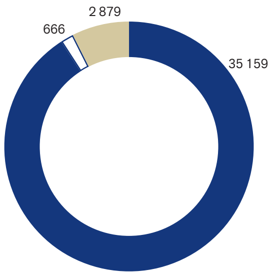
Geographical analysis

Kumba is domiciled in South Africa. The result of its revenue from external customers and its non-current assets disclosed on a geographical basis, are set out below.

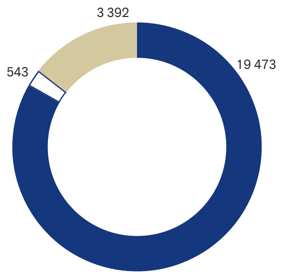
	2010 Rm	2009 Rm
Revenue from external customers:		
South Africa	**2 874**	1 359
Export	**35 830**	22 049
China	**23 112**	16 770
Rest of Asia	**7 465**	3 128
Europe	**4 896**	2 151
Middle East	**300**	–
South America	**57**	–
Total revenue	**38 704**	**23 408**
Non-current assets*		
South Africa	**16 243**	11 853
China	**2**	1
Total non-current assets	**16 245**	**11 854**

* *Excluding prepayments, investments in associates and joint ventures and deferred tax assets.*

2010 | **REVENUE** (Rm)

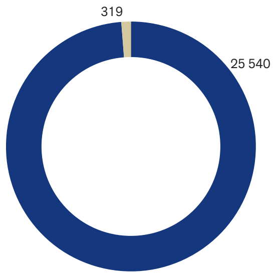


2009 | **REVENUE** (Rm)

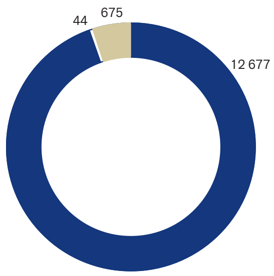


- Sishen Mine
- Thabazimbi Mine
- Shipping operations

2010 | **EBIT** (Rm)



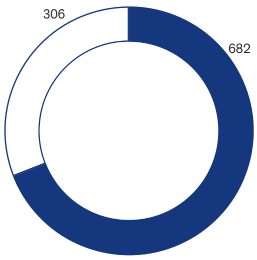
2009 | **EBIT** (Rm)



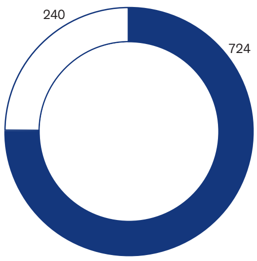
- Sishen Mine
- Thabazimbi Mine*
- Shipping operations

** Thabazimbi Mine contributed an operating loss of R44 million to EBIT in 2010.*

2010 | **TOTAL SEGMENT ASSETS** (Rm)



2009 | **TOTAL SEGMENT ASSETS** (Rm)



- Sishen Mine
- Thabazimbi Mine

KUMBA IRON ORE COMPANY

BALANCE SHEET

AS AT 31 DECEMBER

	Notes	2010 Rm	2009 Rm
ASSETS			
Long-term financial assets	1	–	122
Investments in subsidiaries	2	834	439
Deferred tax asset	3	1	1
Non-current assets		**835**	**562**
Current portion of long-term financial assets	1	–	336
Other receivables		8	20
Current tax asset		4	23
Cash and cash equivalents	4	543	84
Current assets		**555**	**463**
Total assets		**1 390**	**1 025**
EQUITY AND LIABILITIES			
Share capital and premium	5	350	270
Reserves		993	720
Total equity		**1 343**	**990**
LIABILITIES			
Provisions	6	–	1
Non-current liabilities		**–**	**1**
Other payables		47	34
Current liabilities		**47**	**34**
Total liabilities		**47**	**35**
Total equity and liabilities		**1 390**	**1 025**

KUMBA IRON ORE COMPANY

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2010 Rm	2009 Rm
Net operating expenses	7	**(33)**	(140)
Operating loss		**(33)**	**(140)**
Finance income		**122**	75
Finance costs		**–**	(1)
Income from investments	8	**6 705**	6 469
Profit before taxation		**6 794**	**6 403**
Taxation	9	**(35)**	(13)
Profit for the year		**6 759**	**6 390**
Total comprehensive income for the year		**6 759**	**6 390**

The company did not have any non-owner changes in equity during the year other than the profit for the year, therefore no separate statement of comprehensive income is presented for the year ended 31 December 2010.

KUMBA IRON ORE COMPANY

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

	Share capital (note 5) Rm	Share premium (note 5) Rm	Equity- settled share-based payment Rm	Retained earnings Rm	Total Rm
Balance at beginning of year	3	219	78	581	881
Shares issued during the year	–	48	–	–	48
Equity-settled share-based payments	–	–	124	–	124
Total comprehensive income for the year	–	–	–	6 390	6 390
Dividends paid	–	–	–	(6 453)	(6 453)
Balance at 31 December 2009	**3**	**267**	**202**	**518**	**990**
Shares issued during the year	**–**	**80**	**–**	**–**	**80**
Equity-settled share-based payments	**–**	**–**	**246**	**–**	**246**
Vesting of shares under employee share incentive schemes	**–**	**–**	**(3)**	**(9)**	**(12)**
Total comprehensive income for the year	**–**	**–**	**–**	**6 759**	**6 759**
Dividends paid	**–**	**–**	**–**	**(6 720)**	**(6 720)**
Balance at 31 December 2010	**3**	**347**	**445**	**548**	**1 343**

KUMBA IRON ORE COMPANY

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

	Notes	2010 Rm	2009 Rm
Cash flows from operating activities			
Cash generated from/(utilised by) operations	10	**6**	(121)
Net finance income		**122**	74
Income from investments		**6 705**	6 469
Taxation paid	11	**(16)**	(22)
Dividends paid		**(6 720)**	(6 453)
		97	**(53)**
Cash flows from investing activities			
Redemption of long-term financial asset	1	**458**	–
Net (increase)/decrease in loans to subsidiaries	2	**(164)**	49
		294	**49**
Cash flows from financing activities			
Share capital issued	5	**80**	48
Vesting of shares under employee share incentive schemes		**(12)**	–
		68	**48**
Net increase in cash and cash equivalents		**459**	44
Cash and cash equivalents at beginning of year		**84**	40
Cash and cash equivalents at end of year	**4**	**543**	**84**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER

1. LONG-TERM FINANCIAL ASSETS

	2010 Rm	2009 Rm
Investment in SIOC Community Development SPV (Pty) Limited	–	458

	2010 Rm	2009 Rm
Non-current long-term financial assets	–	122
Current portion of long-term financial assets	–	336
	–	**458**

The investment held in respect of the fully paid up preference shares was redeemable at the option of the issuer. All preference shares in issue were redeemed by the issuer during the 2010 financial year.

Currency analysis of long-term financial assets

All long-term financial assets of the company were denominated in Rand.

Fair value of cash and cash equivalents

The carrying amount of the preference shares approximated their fair value because they were fully paid up and earned preference dividends at market related rates.

2. INVESTMENTS IN SUBSIDIARIES

	2010 Rm	2009 Rm
Reflected as non-current assets		
Shares at cost	3	3
Share-based payment expenditure*	406	175
Long-term loans to subsidiaries	425	261
Net investments in subsidiaries	**834**	**439**

* *Arising from the accounting for share-based payment transactions in terms of IFRS 2.*

Investments in subsidiaries are accounted for at cost.

For further details of interests in significant subsidiaries, refer annexure 1.

3. DEFERRED TAX ASSET

	2010 Rm	2009 Rm
Balance at beginning of year	1	8
Current year charge per the income statement (2010: < R1 million)	–	(7)
Balance at end of year	**1**	**1**
Deferred tax asset attributable to the following temporary differences		
Leave pay accrual	1	1
Total deferred tax asset	**1**	**1**

4. CASH AND CASH EQUIVALENTS

	2010 Rm	2009 Rm
Cash	**543**	**84**
Currency analysis of cash and cash equivalents		
Rand	**543**	**84**

Credit risk

Cash and cash equivalents are are held in various financial institutions with long-term investment grade credit rating and with the capacity for payment of financial commitments considered strong.

Fair value of cash and cash equivalents

The carrying amount of cash and cash equivalents approximate their fair value because of the short period to maturity of these instruments.

5. SHARE CAPITAL AND SHARE PREMIUM

	2010 Number of shares	2009 Number of shares
Authorised		
500 000 000 ordinary shares of R0.01 each	500 000 000	500 000 000
Issued		
Ordinary shares of R0.01 each	321 911 721	320 415 081
Reconciliation of issued shares		
Number of shares at beginning of year	320 415 081	319 461 421
Number of ordinary shares issued	1 496 640	953 660
Number of shares at end of year	**321 911 721**	**320 415 081**

For further detail refer to the group annual financial statements, note 21.

	2010 Rm	2009 Rm
Reconciliation of share capital and premium		
Share capital	3	3
Share premium	347	267
	350	**270**

6. PROVISIONS

	2010 Rm	2009 Rm
Balance at beginning of year	1	13
Cash-settled share-based payments	1	(2)
Amounts utilised against provision	(2)	(10)
Balance at 31 December	**–**	**1**

	2010 Rm	2009 Rm
Expected timing of future cash flows		
1 to 2 years	–	1

As a result of restrictions related to the empowerment transaction of Kumba Resources, certain past and present executives and senior managers who participated in the Kumba Resources Management Share Option Scheme were not able to receive certain grants of options which would have been made in the ordinary course of operations. The human resources and remuneration committee of Kumba Resources at that time consequently awarded “phantom share options” to the affected participants.

The accounting costs of the Kumba Phantom Share Option Scheme require recognition under IFRS 2 using the treatment for cash-settled share-based payments.

At 31 December 2010, no phantom share options were held by Kumba employees. During 2010 the remaining 9 900 share options were exercised at a volume weighted average price of R428.28 (2009: nil). No new options have been granted to management or to senior staff following unbundling.

7. OPERATING (EXPENSES)/INCOME

	2010 Rm	2009 Rm
Cost by type		
Salaries and wages	(26)	(20)
Share-based payments	(15)	(5)
Pension and medical costs	(2)	(1)
Foreign currency revaluations and fair value adjustments	–	(13)
General income/(charges)	4	(1)
Impairment of investment	–	(112)
Cost recoveries	6	12
	(33)	**(140)**
The above costs are stated after including:		
Directors' emoluments	15	11
Executive directors		
Emoluments received as directors of the company	8	7
Bonuses and cash incentives	4	2
Non-executive directors – emoluments as directors of the company	3	2

8. INCOME FROM INVESTMENTS

	2010 Rm	2009 Rm
Dividends received from subsidiaries	6 705	6 469

9. TAXATION

	2010 Rm	2009 Rm
Charge to income		
SA Normal taxation		
Current year	35	4
Prior year	–	2
Deferred taxation (2010: < R1 million)	–	7
Total	**35**	**13**

	2010 %	2009 %
Reconciliation of taxation rates		
Taxation as a percentage of profit before taxation	0.5	0.2
Taxation effect of:		
Exempt income	27.6	28.4
Capital profits	–	(0.5)
Disallowable expenditure	(0.1)	(0.1)
Standard taxation rate	**28.0**	**28.0**

10. CASH GENERATED FROM/(UTILISED BY) OPERATIONS

	2010 Rm	2009 Rm
Operating loss	(33)	(140)
Adjusted for:		
Foreign currency revaluations and fair value adjustments	–	13
Movement in provisions	(1)	(12)
Share-based payment expense	15	8
Cash utilised by operations	(19)	(131)
Working capital movements:		
Decrease/(increase) in other receivables	12	(3)
Increase in other payables	13	13
	6	**(121)**

11. NORMAL TAXATION PAID

	2010 Rm	2009 Rm
Amounts unpaid at beginning of year	**(23)**	(7)
Amounts charged to the income statement	**35**	6
Amount paid during the year	**(16)**	(22)
Current tax asset at end of year	**(4)**	**(23)**

12. POST-BALANCE SHEET EVENTS

A final dividend of R21.00 per share was declared on 9 February 2011 from profits accrued during the financial year ended 31 December 2010. The total dividend for the year amounted to R34.50 per share.
The estimated total cash flow of the final dividend of R21.00 per share, payable on 22 March 2011, is R6.8 billion.

The directors are not aware of any other matter or circumstance arising since the end of the year and up to the date of this report that affect the amounts recognised in the financial statements for the year ended 31 December 2010, not otherwise dealt with in this report.

ANNEXURE 1: INVESTMENTS IN SUBSIDIARIES

FOR THE YEAR ENDED 31 DECEMBER

	Country of incorporation[1]	Nature of business[2]	% holding	Nominal issued capital	Investments at cost 2010 Rand	Investments at cost 2009 Rand	Loans to subsidiaries 2010 Rand	Loans to subsidiaries 2009 Rand
Direct investments								
Sishen Iron Ore Company (Pty) Limited	RSA	A	74%	100	**3 008 810**	3 008 810	**385 646 729**	261 259 686
Main Street 576 (Pty) Limited	RSA	E	100%	100	**100**	100	**39 050 027**	–
Kumba Holdings West Africa BV[#]	NE	E	100%	173 035	**–**	173 035	**–**	–
Indirect investments								
Groler Investments Limited	SWL	E	100%	258 958	**–**	–	**–**	–
Kumba Hong Kong Limited	HK	B	100%	915	**–**	–	**–**	–
Kumba Hong Kong Shipping Limited	HK	C	100%	897	**–**	–	**–**	–
Kumba International BV	NE	B	100%	10 806 511	**–**	–	**–**	–
Kumba International Trading SA	LUX	B	100%	55 335 369	**–**	–	**–**	–
Kumba Iron Ore Holdings SARL	NE	E	100%	154 654	**–**	–	**–**	–
Mineco Limited	MAU	F	100%	21	**–**	–	**–**	–
Oreco Leasing Limited	MAU	F	75%	17	**–**	–	**–**	–
Sibelo Resources Development (Pty) Limited	RSA	D	100%	2	**–**	–	**–**	–
Sishen South Mining (Pty) Limited	RSA	F	100%	1	**–**	–	**–**	–
Vulcan Leasing Limited	MAU	F	100%	19	**–**	–	**–**	–
Total investments in subsidiaries					**3 008 910**	**3 181 945**	**424 696 756**	**261 259 686**

	2010 Rm	2009 Rm
Aggregate attributable after tax profits/(losses) of subsidiaries:		
Profits	**17 653**	8 823
Losses*	**(745)**	(8 969)

\# *Kumba resolved to wind up the entire West African group structure. Consequently it fully impaired its investment in Kumba Holdings West Africa BV during 2010 and disposed of its investments in Kumba Investments Guinea BV and Kumba Investments West Africa BV during 2010. The net cash outflow on disposal of the subsidiaries was R2 million.*

* *Includes the impairment of investments in subsidiaries.*

1 *RSA – South Africa, NE – Netherlands, SWL – Switzerland, HK – Hong Kong, LUX – Luxembourg, MAU – Mauritius*

2 *A – Mining, B – Iron ore marketing and sales, C – Shipping charter, D – Exploration, E – Investment holding, F – Dormant*

ANNEXURE 2: INVESTMENTS IN ASSOCIATES, JOINT VENTURES AND OTHER INVESTMENTS

FOR THE YEAR ENDED 31 DECEMBER

	Nature of business[1]	Number of shares held	% holding	Investment at cost R'000	Group Loan balance 2010 R'000	Group Loan balance 2009 R'000	Company Loan balance 2010 R'000	Company Loan balance 2009 R'000
Associates								
Unlisted								
Manganore Iron Mining Limited[2]	A	25 000	50	50	**–**	–	**–**	–
Incorporated joint ventures								
Unlisted								
Pietersburg Iron Company (Pty) Limited	A	4 000	50	3 740	**28 952**	19 840	**–**	–
Safore (Pty) Limited[2]	B	400	40	–	**–**	–	**–**	–
Sishen Shipping (Pty) Limited[2]	B	400	40	–	**–**	–	**–**	–
Trans Orient Ore Supplies Limited[2]*	C	2000	50	–	**–**	–	**–**	–
				3 740	**28 952**	**19 840**	**–**	**–**
Other investments								
SIOC Community Development SPV (Pty) Limited[3]	D	–	0	–	**–**	–	**–**	478 086

	Investment R'000	Group Loan balance 2010 Rand '000	Group Loan balance 2009 Rand '000	Company Loan balance 2010 Rand '000	Company Loan balance 2009 Rand '000
Directors' valuation of investments at 31 December					
Unlisted investments in associates	50	**–**	–	**–**	–
Unlisted investments in joint ventures	3 740	**28 952**	19 840	**–**	–
Other investments	–	**–**	–	**–**	478 086

The financial year-end for Manganore Iron Ore Mining Limited is 30 June. Where the financial year-end is not co-terminous with that of the group, financial information has been obtained from published information or management accounts as appropriate.

All above entities are incorporated in South Africa other than Trans Orient Ore Supplies Limited which is incorporated in Hong Kong.

* *Investment impaired during 2010. Refer to note 3.*

1 *A – Mining, B – Shipping charter, C – Iron ore merchant, D – Community development*

2 *Dormant*

3 *Fully paid up redeemable preference shares redeemed during 2010. Refer to note 29.*

KUMBA IRON ORE GROUP

ANNEXURE 3: BALANCE SHEET US DOLLAR CONVENIENCE TRANSLATION

AS AT 31 DECEMBER
(UNAUDITED SUPPLEMENTARY INFORMATION)

	2010 US Dollar million	2009 US Dollar million
ASSETS		
Property, plant and equipment	2 395	1 565
Biological assets	1	1
Investments in associates and joint ventures	4	3
Investments held by environmental trust	56	38
Long-term prepayments and other receivables	8	4
Deferred tax assets	71	17
Non-current assets	**2 535**	**1 628**
Inventories	468	346
Trade and other receivables	467	296
Current tax assets	4	18
Cash and cash equivalents	733	121
Current assets	**1 672**	**781**
Total assets	**4 207**	**2 409**
EQUITY AND LIABILITIES		
Shareholders' equity	2 164	985
Non-controlling interest	610	227
Total equity	**2 774**	**1 212**
LIABILITIES		
Interest-bearing borrowings	481	522
Provisions	101	63
Deferred tax liabilities	343	309
Non-current liabilities	**925**	**894**
Short-term portion of interest-bearing borrowings	-	7
Short-term portion of provisions	2	1
Trade and other payables	493	292
Current tax liabilities	13	3
Current liabilities	**508**	**303**
Total liabilities	**1 433**	**1 197**
Total equity and liabilities	**4 207**	**2 409**
Exchange rate		
Translated at closing Rand/US Dollar exchange rate	6.63	7.39

ANNEXURE 4: INCOME STATEMENT US DOLLAR CONVENIENCE TRANSLATION

FOR THE YEAR ENDED 31 DECEMBER (UNAUDITED SUPPLEMENTARY INFORMATION)

	2010 US Dollar million	2009 US Dollar million
Revenue	5 299	2 790
Operating expenses	(1 858)	(1 255)
Operating profit	3 441	1 535
Finance income	20	34
Finance costs	(24)	(49)
Profit before taxation	3 437	1 520
Taxation	(933)	(471)
Profit for the year	2 504	1 049
Attributable to:		
Owners of Kumba	1 961	831
Non-controlling interest	543	218
	2 504	1 049
Earnings per share for profit attributable to the owners of Kumba (US Dollar per share)		
Basic	6.11	2.61
Diluted	6.10	2.59
Exchange rate		
Translated at average Rand/US Dollar exchange rate	7.30	8.39

SHAREHOLDER ANALYSIS

REGISTER DATE: 31 DECEMBER 2010

ISSUED SHARE CAPITAL: 321 911 721

	No of shareholdings	%	No of shares	%
SHAREHOLDER SPREAD				
1 – 1 000 shares	17 538	89.18	3 997 476	1.24
1 001 – 10 000 shares	1 756	8.93	5 178 438	1.61
10 001 – 100 000 shares	300	1.53	8 880 797	2.76
100 001 – 1 000 000 shares	60	0.30	16 617 555	5.16
1 000 001 shares and over	11	0.06	287 237 455	89.23
Totals	**19 665**	**100.00**	**321 911 721**	**100.00**
DISTRIBUTION OF SHAREHOLDERS				
Banks	174	0.89	30 689 108	9.53
Close corporations	167	0.85	108 637	0.03
Endowment funds	71	0.36	108 303	0.03
Individuals	15 984	81.28	6 763 728	2.10
Insurance companies	34	0.17	1 173 831	0.37
Investment companies	42	0.21	820 711	0.26
Medical schemes	2	0.01	5 845	0.00
Mutual funds	246	1.25	7 420 582	2.31
Nominees and trusts	2 358	11.99	4 068 939	1.26
Other corporations	65	0.33	61 802	0.02
Private companies	352	1.79	211 708 185	65.77
Public companies	15	0.08	42 637 158	13.24
Retirement funds	154	0.78	16 182 184	5.03
Share trust	1	0.01	162 708	0.05
Totals	**19 665**	**100.00**	**321 911 721**	**100.00**
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	12	0.06	253 570 392	78.77
Directors and associates of the company	5	0.03	42 072	0.01
Strategic	2	0.01	251 547 711	78.14
Share trust	1	0.01	162 708	0.05
Related	4	0.02	1 817 901	0.57
Public shareholders	19 653	99.94	68 341 329	21.23
Totals	**19 665**	**100.00**	**321 911 721**	**100.00**
BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE				
Anglo American			210 052 454	65.25
Industrial Development Corporation of South Africa			41 498 615	12.89
Public Investment Corporation			12 990 130	4.00
Totals			**264 541 199**	**82.14**

BREAKDOWN OF NON-PUBLIC HOLDINGS

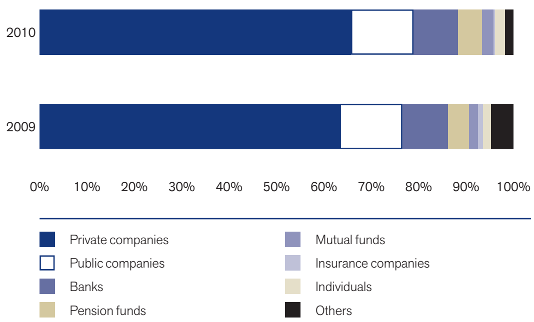
	No of shares	%
DIRECTORS OF THE COMPANY		
Griffith, CI	**15 337**	**0.00**
Griffith, CI	15 007	0.00
Griffith, CI	330	0.00
Uren, VP	**26 735**	**0.01**
Uren, VP	16 379	0.01
Uren, VP	6 106	0.00
Uren, VP	2 250	0.00
Uren, VP, held in trust	2 000	0.00
Totals	**42 072**	**0.01**
STRATEGIC HOLDINGS		
Anglo South Africa Capital	210 049 096	65.25
Industrial Development Corporation of South Africa	41 498 615	12.89
Totals	**251 547 711**	**78.14**
SHARE TRUST		
Kumba Iron Ore Management Share Trust	162 708	0.05
Totals	**162 708**	**0.05**
RELATED HOLDINGS		
Exxaro Resources	1 813 798	0.56
Kumba Bonus Share Plan	3 313	0.00
Sishen Iron Ore Company	790	0.00
Totals	**1 817 901**	**0.56**

BREAKDOWN OF BENEFICIAL SHAREHOLDERS HOLDING 3% OR MORE

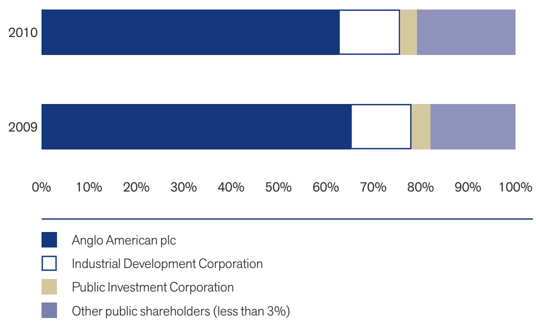
Beneficial Shareholders

Anglo American	**210 052 454**	**65.25**
Anglo South Africa Capital	210 052 454	65.25
Industrial Development Corporation of South Africa	**41 498 615**	**12.89**
Public Investment Corporation	**12 990 130**	**4.00**
Totals	**264 541 199**	**82.14**

2009 – 2010 **MAJOR CATEGORIES OF SHAREHOLDERS** (% of shares)



2009 – 2010 **MAJOR SHAREHOLDERS** (% of shares)



NOTICE OF ANNUAL GENERAL MEETING

KUMBA IRON ORE LIMITED

A member of the Anglo American plc Group
(Incorporated in the Republic of South Africa)

Registration number: 2005/015852/06
Share code: KIO
ISIN: ZAE000085346
('Kumba' or 'the company' or 'the group')

Notice is hereby given that the fifth annual general meeting of members of Kumba will be held at 10:00 am on Friday, 6 May 2011, to consider, and if deemed fit, to pass the following resolutions with or without modifications:

1. ORDINARY RESOLUTION NUMBER 1

Approval of annual financial statements

To receive and adopt the annual financial statements of the company for the year ended 31 December 2010, including the directors' report and the report of the auditors thereon and to confirm all matters and things undertaken and discharged by the directors on behalf of the company.

2. ORDINARY RESOLUTION NUMBER 2

Reappointment of independent auditors

To reappoint Deloitte & Touche as independent auditors of the company for the ensuing year and to appoint Mr G Krog as the designated auditor for the ensuing year.

3. ORDINARY RESOLUTION NUMBER 3

Rotation of directors

To re-elect the following directors who retire by rotation in terms of clause 16.1 and 16.2 of the articles of association of the company and who are available for re-election:

3.1 GG Gomwe
3.2 ZBM Bassa
3.3 DD Mokgatle
3.4 AJ Morgan

The re-elections are to be voted on individually.

Abridged curriculum vitae in respect of each director offering him/herself for re-election is set out on page 74 of the Board of Directors' Annual Report.

4. ORDINARY RESOLUTION NUMBER 4

Election of audit committee members

To elect the following directors as members of the audit committee in terms of good governance requirements. The board has determined that each member standing for appointment is independent, and possesses the required qualifications and experience as determined by the board.

4.1 ZBM Bassa (chairman)
4.2 AJ Morgan
4.3 DD Mokgatle

5. ORDINARY RESOLUTION NUMBER 5

Remuneration of non-executive directors

To approve the proposed remuneration of the non-executive directors with effect from 1 January 2011:

	2010	2011
Chairman	R1 100 000	R1 100 000
Director	R165 000	R177 375
Audit committee chairman	R184 000	R197 800
Audit committee member	R109 000	R117 175
Other board committee chairman	R147 000	R158 025
Other board committee member	R73 000	R78 475

6. ORDINARY RESOLUTION NUMBER 6

Additional remuneration for non-executive directors

To approve additional remuneration for non-executive directors of R105 000 for additional board meetings held in 2010.

Reason and effect

The board of directors recommends that the shareholders approve additional remuneration for non-executive directors in respect of the additional board meetings in which the various legal issues were discussed.

The meeting fee is calculated as follows:

- Fee per meeting: R15 000
- Number of additional board meetings held in 2010: 7.

The additional directors' remuneration, if approved by the shareholders, will be a once-off payment. Any such future remuneration, if deemed necessary, will be presented to the shareholders for approval.

7. ORDINARY RESOLUTION NUMBER 7

General authority for directors to control 5% of the authorised but unissued shares

RESOLVED that subject to the provisions of the Act and the JSE Listings Requirements, the directors are authorised until the next annual general meeting of the company to allot and issue the authorised but unissued ordinary shares of one cent each in the capital of the company, up to a maximum of 5% (five percent) of the number of shares of the company's issued ordinary share capital; to such person or persons on such terms and conditions and at such times as the directors of the company may from time to time and in their discretion deem fit, after setting aside as many shares as may be required to be allotted and issued by the company pursuant to the company's approved employee share incentive schemes.

8. ORDINARY RESOLUTION NUMBER 8

General authority to issue shares for cash

RESOLVED that in terms of the JSE Listings Requirements, the directors are hereby authorised by way of a general authority, to issue the authorised but unissued ordinary shares of one cent each in the capital of the company for cash, as and when suitable opportunities arise, subject to the articles of association of the company, the Act and the following conditions, namely that:

- the equity securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- any such issue will only be made to 'public shareholders' as defined by the JSE Listings Requirements and not to related parties;
- this authority shall only be valid until the next annual general meeting of the company but shall not extend beyond 15 (fifteen) months from the date this authority is given;
- that a paid press announcement giving full details, including the impact on the net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within 1 (one) financial year, 5% (five percent) or more of the number of shares in issue prior to the issue concerned;
- that the issues in aggregate in any one financial year shall not exceed 5% (five percent) of the number of shares of the company's issued ordinary share capital (for purposes of determining the securities comprising the 5% (five percent) number in any one year, account must be taken of the dilution effect, in the year of issue of options/convertible securities, by including the number of any equity securities which may be issued in future arising out of the issue of such options/convertible securities), and of a particular class, will be aggregated with any securities that are compulsorily convertible into securities of that class, and, in the case of the issue of compulsorily convertible securities, aggregated with the securities of that class into which they are compulsorily convertible;
- as regards the number of securities which may be issued (the 5% (five percent) number), shall be based on the number of securities of that class in issue added to those that may be issued in future (arising from the conversion of options/convertible securities), at the date of such application:
  - less any securities of the class issued, or to be issued in future arising from options/convertible securities issued, during the current financial year;
  - plus any securities of that class to be issued pursuant to:
    - » a rights issue which has been announced, is irrevocable and is fully underwritten; or
    - » acquisition (which has had final terms announced) may be included as though they were securities in issue at the date of application;
    - » any issue of shares for cash will be subject to exchange control approval at that point in time; and
- that in determining the price at which an issue of shares for cash may be made in terms of this authority post the listing of the company, the maximum discount permitted shall be 10% (ten percent) of the weighted average traded price of the ordinary shares on the JSE, (adjusted for any dividend declared but not yet paid or for any capitalisation award made to shareholders) over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the directors of the company and the party subscribing for the securities. The JSE should be consulted for a ruling if the company's securities have not traded in such 30 (thirty) day business period.

A 75% majority of votes cast in favour of the resolution by all equity securities present or represented by proxy at the annual general meeting is required for the approval of the above resolution.

9. ORDINARY RESOLUTION NUMBER 9

Amendment of the Kumba Iron Ore Limited Bonus Plan ('the plan')

RESOLVED that the provisions of the plan be amended to allow, in addition to bonus awards that may be made under the plan, that awards may be made from time to time:

- as once-off awards for new appointments, to assist in the recruitment of key executives and senior employees which invariably requires compensation to address value forfeited on resignation from a previous employer; or
- to new employees where the start date of such new employee is such that there would be a long delay before the next bonus awards are made under the plan, particularly in cases where the employees have not been given a once-off discretionary award as compensation for value forfeited on resignation from a previous employer; or
- as a retention mechanism from time to time and particularly under circumstances where the group faces significant retention risks with respect to key talent.

Reason and effect:

The amendment is necessary as an attraction and retention on mechanism to allow for discretionary awards to be made to new employees in recognition of value lost as a result of the change in employment. The effect of this amendment is that discretionary awards can be made to new employees in recognition of value lost as a result of change in employment.

In terms of the JSE Listings Requirements, 75% (seventy-five percent) of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of this ordinary resolution for it to be approved.

Salient terms to the resolution and summary of the plan

The salient terms of the plan and the main points of the amendments are summarised as follows:

- The plan has been amended to, in addition to the award a bonus award (an award of cash or shares, or both, calculated with reference to annual performance targets for the financial year ending immediately preceding the award date), to provide for the grant of an award comprising only of shares (a conditional award or forfeitable award) to an employee calculated without reference to annual performance targets for the financial year ending immediately preceding the award date. The plan now provides that awards may be made from time to time:
  - as once-off awards for new appointments, to assist in the recruitment of key executives and senior employees which invariably requires compensation to address value forfeited on resignation from a previous employer; or
  - to new employees where the start date of such new employee is such that there would be a long delay before the next bonus awards are made under the plan, particularly in cases where the employees have not been given a once-off discretionary award as compensation for value forfeited on resignation from a previous employer; or
  - as a retention mechanism from time to time and particularly under circumstances where the group faces significant retention risks with respect to key talent.
- The definition of 'bonus award' has been extended to clarify that it will be calculated with reference to annual performance targets for the financial year ending immediately preceding the award date. [14.1(f)]
- The maximum aggregate number of shares that may be issued under the plan and any other employee share incentive scheme or plan operated by the company from time to time remain unchanged and is set to 31 194 612 shares amounting to approximately 10% (ten percent) of the issued share capital. This limit is permitted to be increased proportionately to reflect changes in capital structure, as specified. In addition, shares purchased in the market in settlement of the plan and awards that are forfeited are excluded from this limit. [14.1(b)]
- Reference to an aggregate fixed number of shares which can be acquired by any one participant under the plan and any other share incentive scheme or plan operated by the company remain unchanged and is set at 3 194 612. [14.1(c)]
- The plan has further been amended to clarify that conditional awards and forfeitable awards that are not made as part of a bonus award, will be subject to the same terms and conditions as conditional awards and forfeitable awards that are made as part of a bonus award, i.e. the provisions relating to accrual and settlement of conditional awards and forfeitable awards, registration of ownership in respect of shares subject to forfeitable awards, participants rights before the release date, termination of employment, takeovers and restructuring and variation in share capital will likewise apply to these awards. [14.1(g), 14.1(e), 14.1(h)]
- The changes to the plan will be available for inspection during normal business hours at the registered office of the company from the date of issue of the annual report of which this notice of annual general meeting forms part, up to including the date of the annual general meeting.

10. SPECIAL RESOLUTION NUMBER 1

Specific authority to purchase shares for purposes of the plan

RESOLVED that the company and/or any of its subsidiaries from time to time be and are hereby authorised, by way of a specific authority in terms of sections 85 and 89 of the Act, to purchase directly, or through an agent, on the market from time to time such number of ordinary shares in the company as the company may be required to purchase in terms of the Kumba Iron Ore Limited Bonus Share Plan ('plan').

Reason and effect

The reason for this special resolution is to obtain approval in terms of the Act to grant the company specific authority to acquire ordinary shares in the company for purposes of implementing the plan. The effect of the special resolution will be to allow the company to acquire the company's ordinary shares from time to time.

A company shall not make any payment in whatever form to purchase any share issued by the company if there are reasonable grounds for believing that:

(a) the company is, or would after the payment be, unable to pay its debts as they become due in the ordinary course of business; or

(b) the consolidated assets of the company fairly valued would after the payment be less than the consolidated liabilities of the company.

11. SPECIAL RESOLUTION NUMBER 2

General authority to repurchase shares

RESOLVED that, as a general approval contemplated in sections 85 to 89 of the Act, the acquisitions by the company and/or any of its subsidiaries, from time to time, of the issued ordinary shares of the company, upon such terms and conditions and in such amounts as the directors of the company may from time to time determine, but subject to the articles of association of the company, the provisions of the Act and the JSE Listings Requirements, when applicable, and provided that:

1. the general repurchase of securities will be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty (reported trades are prohibited);
2. this approval shall be valid only until the next annual general meeting of the company and shall not extend beyond 15 (fifteen) months from the date of passing of this resolution;
3. at any point in time, a company may only appoint one agent to effect any repurchases on the company's behalf;
4. any such repurchase will be subject to exchange control approval at that point in time;
5. the company or its subsidiary may not repurchase securities during a prohibited period as defined in the JSE Listings Requirements unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement over SENS prior to the commencement of the prohibited period;

6. when the company any of its subsidiaries collectively have cumulatively repurchased 3% (three percent) of the initial number of the relevant class of securities, and for each 3% (three percent) in aggregate of the initial number of that class acquired thereafter, an announcement will be made;
7. the company and its subsidiaries collectively shall not be entitled to acquire shares issued by the company constituting, on a cumulative basis, more than 10% (ten percent) of the number of shares in the company in issue in any one financial year as at the beginning of that financial year; and
8. shares issued by the company may not be acquired at a price greater than 10% (ten percent) above the weighted average traded price of the company's shares for the five business days immediately preceding the date of the repurchase.

Reason and effect

The reason for and effect of this special resolution number 2 is to authorise, by way of a general authority, the company and any of its subsidiary companies to acquire its own issued shares on such terms, conditions and in such amounts as determined from time to time by the directors of the company subject to the limitations set out above.

At the present time the directors have no specific intention with regard to the utilisation of this authority, which will only be used if the circumstances are appropriate. The company wishes to confirm that any repurchase of shares, if implemented, will only be dealt with via the formal JSE trading system.

Disclosures required in terms of the JSE Listings Requirements

In terms of the JSE Listings Requirements, the following disclosures are required when requiring shareholders' approval to authorise the company, or any of its subsidiaries, to repurchase any of its shares as set out in special resolution number 2 above.

Working capital statement

The directors of the company agree that they will not undertake any repurchase, as contemplated in special resolution 2 above, unless:

- the company and the group are in a position to repay their debt in the ordinary course of business for a period of 12 (twelve) months after the date of the general repurchase;
- the assets of the company and the group, being fairly valued in accordance with International Financial Reporting Standards, are in excess of the liabilities of the company and the group for a period of 12 (twelve) months after the date of the general repurchase;
- the share capital and reserves of the company and the group are adequate for ordinary business purposes for the next 12 (twelve) months following the date of the general repurchase;
- the available working capital of the company and the group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the general repurchase; and
- before entering the market to proceed with the general repurchase, the company's sponsor has confirmed the adequacy of the company's and the group's working capital in writing to the JSE.

Litigation statement

Other than disclosed or accounted for in these annual financial statements, the directors of the company, whose names are given on page 74 of the Board of Directors' Annual Report, are not aware of any legal or arbitration proceedings, including proceedings that are pending or threatened against the group, which may have or have had a material effect in the recent past, being at least the previous 12 (twelve) months, a material effect on the group's financial position.

Directors' responsibility statement

The directors, whose names are given on page 74 of the Board of Directors' Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution 1 and 2 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this resolution contains all information required by law and the JSE Listings Requirements.

Material changes

Other than the facts and developments reported on in these annual financial statements, there have been no material changes in the financial or trading position of the company and its subsidiaries since the signature date of this annual financial review and the posting date thereof.

The following further disclosures required in terms of the JSE Listings Requirements are set out in accordance with the reference pages in this Annual Report set* of which this notice forms part:

- Directors – page 74 of the Board of Directors' Annual Report;
- Directors' interest in the company's shares – page 26 of the Annual Financial Statements
- Share capital of the company – page 57 of the Annual Financial Statements
- Major shareholders of the company – page 84 of the Annual Financial Statements

* The Annual Report set comprises the following:

DR	Board of Directors' Annual Report 2010	Book
FS	Annual Financial Statements 2010	Book
RR	Responsibility Report 2010	Book

Voting and proxies

Members who have not dematerialised their shares or who have dematerialised their shares with 'own name' registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead.

The person so appointed need not be a member. Proxy forms must be forwarded to reach the company's transfer secretaries, Computershare Investor Services (Pty) Limited, 70 Marshall Street Johannesburg 2001 South Africa, by no later than 10:00 on Wednesday, 4 May 2011. Proxy forms must only be completed by members who have not dematerialised their shares or who have dematerialised their shares with 'own name' registration.

On a show of hands, every member of the company present in person or represented by proxy shall have one vote only. On a poll, every member of the company shall have one vote for every share held in the company by such member.

Members who have dematerialised their shares, other than those members who have dematerialised their shares with 'own name' registration, should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

Equity securities held by a share trust or scheme will not have their votes taken into account for the purposes of resolutions proposed in terms of the JSE Listing Requirements.

By order of the board

VF Malie
Company secretary

14 April 2011

Centurion

KUMBA IRON ORE LIMITED

A member of the Anglo American plc group
(Incorporated in the Republic of South Africa)

Registration number: 2005/015852/06
Share code: KIO
ISIN: ZAE000085346
('Kumba' or 'the company')

To be completed by certificated shareholders and dematerialize shareholder with 'own name' registration only.

FORM OF PROXY

For completion by registered members of Kumba Iron Ore who are unable to attend the annual general meeting of the company to be held at 10:00 on Friday, 6 May 2011 at Kumba Iron Ore Corporate Office, Centurion or at any adjournment thereof.

I/We ______________________________ (please print names in full)

Of (address) ______________________________

Being the holder/s or custodians of ______________________________ ordinary share in the company, do hereby appoint:

1. ______________________________

2. ______________________________

3. the chairman of the general meeting, as my/our proxy to act for me/us at the general meeting which be held for the purpose of considering and if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at each adjournment thereof and to vote on such resolutions in respect of the ordinary share in the issued capital of the company registered in my/our name/s with the following instructions:

		Number of votes (one vote per share)		
		In favour of	Against	Abstain
1.	**Ordinary resolution number 1** (To consider the annual financial statements for the year ended 31 December 2010)			
2.	**Ordinary resolution number 2** (To reappoint Deloitte & Touche as independent auditors and G Krog as designated auditor)			
3.	**Ordinary resolution number 3** (To re-elect the directors who retire by rotation in terms of article 16.1 & 16.2 of the articles of association)			
	3.1. GG Gomwe			
	3.2. ZBM Bassa			
	3.3. DD Mokgatle			
	3.4 AJ Morgan			
4.	**Ordinary resolution number 4** (To elect members of the audit committee in terms of good governance requirements)			
	4.1 ZBM Bassa (chairman)			
	4.2 AJ Morgan			
	4.3 DD Mokgatle			
5.	**Ordinary resolution number 5** (To approve non-executive directors' remuneration with effect from 1 January 2011)			
6.	**Ordinary resolution number 6** (To approve additional remuneration for non-executive directors)			
7.	**Ordinary resolution number 7** (Authority to control 5% of unissued shares)			
8.	**Ordinary resolution number 8** (General authority to issue shares for cash)			
9.	**Ordinary resolution number 9** (Specific authority to amend the bonus share plan)			
10.	**Special resolution number 1** (Specific authority to repurchase shares)			
11.	**Special resolution number 2** (General authority to repurchase shares)			

Insert an "X" in the relevant space above according to how you wish your votes to be cast, however, if you wish to cast your votes in respect of less than all of the shares that you own in the company, insert the number of ordinary shares held in respect of which you desire to vote.

Signed at ______________________________ on ______________________________

Signature ______________________________

Assisted by me (where applicable) ______________________________

Each member is entitled to appoint one or more proxies (none of whom need be a member of the company) to attend, speak and, on a poll, vote in place of that member at the general meeting. **Please read the notes on the reverse side hereof.**

NOTES TO PROXY

1. A form of proxy is only to be completed by those ordinary shareholders who are:

   1.1 holding ordinary shares in certificated form; or
   1.2 recorded on subregister electronic form in 'own name'.

2. If you have already dematerialised your ordinary shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the annual general meeting, you must request your CSDP or broker to provide you with a Letter of Representation or you must instruct your CSDP or broker to vote by proxy on your behalf in terms of the agreement entered into between you and your CSDP or broker.

3. A member may insert the name of a proxy or the names of two alternative proxies of the member's choice in the space. The person whose name stands first on the form of proxy and who is present at the annual general meeting of shareholders will be entitled to act to the exclusion of those whose names follow.

4. On a show of hands a member of the company present in person or by proxy shall have one (1) vote irrespective of the number of shares he/she holds or represents, provided that a proxy shall, irrespective of the number of members he/she represents, have only one (1) vote. On a poll a member who is present in person or represented by proxy shall be entitled to that proportion of the total votes in the company, which the aggregate amount of the nominal value of the shares held by him/her bears to the aggregate amount of the nominal value of all the shares issued by the company.

5. A member's instructions to the proxy must be indicated by the insertion of the relevant numbers of votes exercisable by the member in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the member's votes exercisable thereat. A member or the proxy is not obliged to use all the votes exercisable by the member or by the proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the member or by the proxy.

6. Forms of proxy must be lodged at, or posted to Computershare Investor Services (Pty) Limited, to be received not later than 24 hours before the time fixed for the meeting (excluding Saturdays, Sundays and public holidays).

   For shareholders on the South African register:

   Computershare Investor
   Services (Pty) Limited
   Ground Floor, 70 Marshall Street
   Johannesburg, 2001
   PO Box 61051
   Marshalltown
   2107
   www.computershare.com
   Tel: +27 11 370 5000

   Over-the-counter American Depository Receipt (ADR) holders: Kumba Iron Ore has an ADR facility with the Bank of New York (BoNY) under a deposit agreement. ADR holders may instruct BoNY as to how the shares represented by their ADRs should be voted.

   American Depository Receipt Facility
   Bank of New York
   101 Barclay Street, New York, NY 10286 www.adrbny.com
   shareowners@bankofny.com
   (00-1) 888 815 5133

7. The completion and lodging of this form of proxy will not preclude the relevant member from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity or other legal capacity must be attached to this form of proxy, unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.

9. Any alteration or correction made to this form of proxy must be initialed by the signatory/ies.

10. Notwithstanding the aforegoing, the chairman of the annual general meeting may waive any formalities that would otherwise be a prerequisite for a valid proxy.

11. If any shares are jointly held, all joint members must sign this form of proxy. If more than one of those members is present at the annual general meeting either in person or by proxy, the person whose name appears first in the register shall be entitled to vote.

KUMBA IRON ORE ADMINISTRATION

SECRETARY AND REGISTERED OFFICE

VF Malie
Centurion Gate – Building 2B
124 Akkerboom Road
Centurion, Pretoria, 0157
Republic of South Africa
Tel: +27 12 683 7000
Fax: +27 12 683 7009

Company registration number:

2005/015852/06

JSE share code:

KIO

ISIN code:

ZAE000085346

AUDITORS

Deloitte & Touche
Chartered Accountants (SA)
Registered Auditors
Deloitte Place, The Woodlands Office Park
20 Woodlands Drive, Woodmead, 2146
South Africa
Private Bag X46, Gallo Manor, 2052

SPONSOR

Rand Merchant Bank
(A division of FirstRand Bank Limited)
Registration number: 1929/001225/06
1 Merchant Place
Corner Rivonia Road and Fredman Drive
Sandton, 2146
South Africa
PO Box 786273, Sandton, 2146

CORPORATE LAW ADVISORS

Deneys Reitz Inc
82 Maude Street
Sandton, 2196
South Africa
PO Box 784903, Sandton, 2146
United States ADR Depository
The Bank of New York
ADR Department, 101 Barclay Street
New York, NY 10286
United States of America

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg, 2001
South Africa
PO Box 61051, Marshalltown, 2107

KUMBA IRON ORE
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www.angloamericankumba.com

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